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SPIRIT OF JAPAN
Religion infuses all facets of life
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World News

Blast misses Shultz car by seconds near La Paz

US Secretary of State George Shultz and his entourage escaped unharmed when a bomb exploded seconds after their motorcade passed along a road into the Bolivian capital, La Paz. The explosion, believed to have been remotely detonated, damaged three vehicles, shattering the windows of the Mrs Shultz's car.

It was the first attack on Mr Shultz in his six years as Secretary of State and the first on a senior US official since President Ronald Reagan was shot and wounded in a March 1981 assassination attempt. There was no immediate claim of responsibility for the attack. Page 4

2 killed in Belfast

Gunmen shot and killed two men in Belfast before ditching their car and fleeing into the Protestant Shankill Road area of the city. Page 5

Burma shootings

Four people were killed in Burma as thousands took to the streets of 14 cities including the capital Rangoon to call for economic reform and greater democracy. Page 3

Moscow crime wave

Incidences of murder, rape and car theft have risen sharply in Moscow, reported newspaper Argumenti i Fakti. It said that despite the anti-alcohol campaign 2,000 people were caught making alcohol illegally, 72 per cent more than a year ago.

SS-20s scrapped

The Soviet Union has begun destroying launchers and vehicles for SS-20 medium-range nuclear missiles under the Intermediate Nuclear Forces treaty which took effect on June 1, Tass said.

'Mwakenya' jailing

A nephew of Kenya's late President Jomo Kenyatta, Andrew Kibathi Muigai, was jailed for six years for belonging to the clandestine opposition movement Mwakenya. Some 80 people have been jailed for association with the movement.

Polish strike call

The outlawed Polish union Solidarity told workers at a copper mine to ignore a call from official union OPZZ for a 30-minute stoppage at a Silesia copper mine saying that action ignored the issue of safety conditions.

Spanish road deaths

Seventy-two people were killed on Spain's roads over the weekend, and 72 were seriously injured, making it the worst for traffic accidents this year. Some 1,200 died on Spanish roads in July and August last year.

Italian Gulf move

Italy may soon withdraw its naval force from the Gulf because of peace prospects and greater security for merchant shipping in the region, Defence Minister Valerio Zanone said.

West Indies win

West Indies won the fifth cricket test match at The Oval in London by eight wickets, to take the series 4-0. England 205 and 202, West Indies 183 and 226-2.

Lucky number

West German registry offices were besieged by thousands of couples seeking to marry on the eighth day of the eighth month of 1988, considering the date a token of good luck.

Business Summary

Swiss Life wins battle for control of La Suisse

SWISS LIFE and Pension (Rentenanstalt) won the takeover battle for control of La Suisse, the Lausanne insurance company, although its bid of SFr12,000 ($7,640) a share was lower than the SFr14,000 offered by the competing Saurer group. Page 16

SUMITOMO Chemical of Japan revised upwards its profit forecast for the year after pre-tax profits jumped 46 per cent in the first half to Y17.9bn on sales of Y277.8bn ($2.08bn) – an increase of 8.5 per cent. Page 21

PEARSON, UK industrial holding company which publishes the Financial Times, saw its shares close 4p higher at 790p, after it announced first half pre-tax profits of £81.7m ($138m) – an increase of 60% on the corresponding period last year. Page 15

CHEVALIER (HK), Hong Kong property development, engineering and office automation group, reported a net profit of HK$51.2m (US$6.6m) for the year to March, an increase of 64.5 per cent on the previous year. Page 21

GOODMAN Fielder Wattie, Australasian food group which is making a £1.72bn ($2.9bn) bid for Ranks Hovis McDougall, UK food group, revealed that the cost of raising the maximum £2.2bn to implement its offer and provide additional working capital will be around £30m.

CSR, one of Australia's leading industrial groups, has played down renewed suggestions that it faced heavy financial payouts to victims of asbestos-related disease. Page 21

INTERCO, St Louis-based consumer products company, which is the US's largest furniture maker and men's shoes manufacturer, received a higher takeover offer of $70 a share or a total value of $2.6bn from an investors group. Page 16

HERSHEY, largest US chocolate maker, yesterday announced the sale of its Friendly Ice Cream chain of restaurants to privately-owned Tennessee Restaurant for $375m in cash. Page 16

INDUSTRIAL Equity Ltd (IEL), Australian arm of New Zealand entrepreneur Sir Ron Brierley's business empire, launched a takeover bid for Howard Smith, one of Australia's oldest companies, valuing it at A$410m (US$330.6m). Page 18

POHANG IRON and Steel (Posco), South Korean state-owned steelmaker, plans to invest US$6.4bn over the next four years, most of it in new plant and equipment and in developing businesses other than direct steelmaking. Page 16

ROYAL Insurance and Groupe Victoire, British and French insurers, will decide next week whether to press ahead with merger plans which would create one of Europe's largest insurance groups. Page 15

TRANS WORLD Airlines, US airline group, posted a sharp rise in net income in its second quarter, reflecting a special gain relating to a 26-year-old law suit against Mr Howard Hughes, the late multi-millionaire recluse. Page 16

AMERICAN Brands, US tobacco, spirits and financial services group, and E-II Holdings have been sued in the US District Court by a group of institutional investors seeking damages of more than $350m. Page 16

DSM, Dutch state-owned chemicals company, is ready to go public early next year in a Fl 750m ($357m) privatisation that would be the Netherlands' biggest ever share flotation. Page 15

Angolan ceasefire brings peace nearer in southern Africa

By Anthony Robinson in Johannesburg

THE ANGOLAN peace process moved another stage forward yesterday as Angola, Cuba and South Africa approved a "de facto cessation of hostilities" in Angola.

President P. W. Botha invited Mr Javier Perez de Cuellar, UN Secretary-General, to visit South Africa "in the very near future" to discuss independence for Namibia.

The ceasefire, which came into effect yesterday, was one of the series of points agreed in principle by negotiators at the last round of talks in Geneva last week and now ratified by the three governments.

Under the cover of this ceasefire South Africa has undertaken to remove all its remaining troops from Angola by September 1. Cuba and Angola have meanwhile undertaken to draw up "a timetable acceptable to all parties for the staged and total withdrawal of Cuban troops from Angola" by the same date.

In Geneva South Africa proposed a seven-month period, corresponding to the transition to Namibia's independence, for the total withdrawal of an estimated 45,000 Cuban soldiers in Angola.

The proposal was angrily rejected by Angola and Cuba, which at earlier meetings said that they wished the withdrawal to take place over four years, while making clear that this could be shortened.

Angola argues that a Cuban presence is needed to combat the threat posed by the Unita rebel movement, led by Dr Jonas Savimbi.

In Pretoria Mr Pik Botha, the Foreign Minister, indicated that the timetable, and the consequent military disengagement process, will be the main subjects for discussion at the next round of talks, which will take place in the week of August 22 at an undisclosed venue.

Diplomats expect the talks to resume in Switzerland and point out that other crucial questions still to be hammered out include the future of African National Congress (ANC) bases in Angola and the part to be played by Swapo, the guerrilla-backed organisation fighting for Namibia's independence, during the ceasefire and run-up to elections.

The basis of a non-aggression pact between Angola and South Africa was outlined in principle at a meeting of the governments in New York last month. Should the pact be implemented, Angola would end its military assistance to the ANC, which has several training camps in Angola.

In return, Pretoria would stop its support to Unita.

The three governments also agreed to recommend to the UN Security Council a starting date of November 1 for implementation of UN Resolution 435. Significantly this means that the run-up to independence under the resolution will begin only a week before the US presidential elections and will be an on-going process whoever wins.

Resolution 435 calls for elections to a Namibian constituent assembly within seven months under the supervision of a 7,500-strong United Nations task force.

Mr Pik Botha made clear at a press conference yesterday that Pretoria remains sceptical

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Rising tide of discontent faces Soviet trade unions

By John Lloyd in Moscow

WORKERS sacked without consultation, salaries reduced or even unpaid, slack and idle management, hazardous working conditions, a wave of strikes – these problems, once officially said to be the sole preserve of capitalist economies, are now piling up before the Soviet trade unions.

A meeting of union leaders in Moscow over the weekend, details of which were published yesterday, shows the unions grappling, often uncertainly, with a range of issues for which they are self-confessedly unprepared. And while the union leaders are, they say, right behind Mr Mikhail Gorbachev's efforts to restructure the economy, the evidence from the shopfloor is often depressing.

Soviet trade unions, with nearly 150m members, officially represent nearly all workers. They are now discovering, however, that their representational methods will need to broaden if they are to cope with evidence of rising discontent, which the increased openness of society is allowing often uncomfortable expression.

In a sober speech to the conference, Mr Stepan Shalayev, chairman of the Soviet trade union congress, said that 10 per cent more time had been lost last year than in 1986 because of standstills and absenteeism. The dissatisfaction of workers with the crudeness of administration, poor organisation of production, endless "black Saturdays" (forced overtime), inefficiencies, "production spurts" and other governmental over-zealousness and bureaucracy often in extremely poignant forms, including strikes.

Mr Shalayev said that in the past 18 months some 1.5m workers had lost and found new jobs, but that in some cases workers were sacked without new jobs being found, and without consultation with the unions.

Nearly half (37m) of the workers in production industries had moved over to production-based salary structures, with bonuses paid on targets.

However, these bonuses had often been cut arbitrarily, pay for professional workers had been reduced to 70-80 per cent of the norm.

One reason for the stalling of perestroika in the workplace was given by Mr S. Barkov, chairman of the Sverdlovsk regional committee. "Trade unions are still poorly aware of the real situation in workplaces, so great is their belief in directives, and paper," he said.

"Far from the amount of paperwork decreasing, it has actually increased 1½ times compared with 1985."

GrandMet puts £1.5bn price on Inter-Continental Hotels

By Lisa Wood in London

Grand Metropolitan, the UK brewing and food group, is seeking a buyer for its Inter-Continental Hotels group with a starting price of around £1.5bn ($2.55bn).

The 100-strong chain, with hotels in 47 countries, ranks 18th in the world league table.

GrandMet said yesterday it had received several approaches from possible buyers and was in negotiations with three. It has appointed Morgan Stanley, the investment bank, to explore the possibilities.

Mr Clive Strowger, GrandMet's finance director, said the possible sale had been revealed to concentrate the minds of the three companies already in negotiations and to draw out other possible bidders.

The Inter-Continental chain was acquired in 1981 for $500m. Since then some £200m has been invested in building work and refurbishment. GrandMet owns 19 of the hotels outright, with the rest either leased, managed or under franchise. The last valuation, in September 1985, gave the chain a book value of £600m. A revaluation is in progress.

Over the last two years the chain has undergone major surgery following a downturn in trading profits in 1985-86. In the six months to March 31 this year, GrandMet's hotel profits were 73 per cent up on a year earlier at £17.8m, and analysts expect the full year to the end of September to see a figure in excess of £50m, and £60m for the following 12 months.

GrandMet has had many suitors for the chain over the past few years. Two years ago it rejected a $900m (£592m) offer from Trafalgar Holdings, the Los Angeles-based finance house headed by Mr Charles Knapp.

Possible buyers are seen as including Trust House Forte, The Holiday Corporation, Sheraton and Hyatt Hotels. THF said yesterday it was sending for details but any acquisition depended on price. Ladbroke, which bought Hilton International last year for £645m, said it was not interested.

Mr Strowger said the chain was being sold because the high prices currently being paid for hotels made its retention difficult to justify.

In addition, a successful sale would eliminate group borrowings and enable GrandMet to pursue "strategic objectives" in the group's core businesses – drinks, foods, bookmaking, gaming and retailing.

The group is known to be keen to expand in the foods sector in particular, either in the US or in continental Europe.

Last month, GrandMet sold two soft drinks businesses

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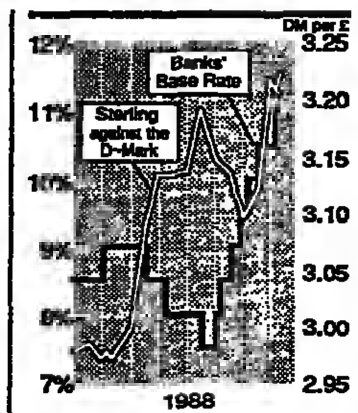

Lawson lifts interest rate to head off inflation

By Simon Holberton, Economics Staff, in London

MR NIGEL LAWSON, Britain's Chancellor of the Exchequer, yesterday surprised UK financial markets by instructing the Bank of England to force a ½ percentage point rise in bank base rates to 11 per cent.

The move, the seventh in 10 weeks, was presented by the Treasury and the Bank as a further tightening of the monetary reigns in the face of an economy continuing to grow at an "unsustainable rate" and exhibiting inflationary tendencies.

The rise in UK rates coincides with market speculation concerning a rise in interest rates in the US and other countries. The dollar was strong against major currencies, particularly the D-Mark, on the market's belief that emerging inflationary pressures would force the US authorities to raise rates.

The dollar closed in London at DM1.9020 compared with DM1.8930 on Friday and at Y133.75 compared with Y133.65.

UK financial markets took the rise in rates calmly. Share prices were virtually unchanged on the day and prices for long-dated Government gilt-edged securities fell only modestly.

The pound strengthened on the rise in base rates but did not soar. It closed unchanged against the dollar but more than 2 pfennigs higher against the D-Mark, despite modest intervention by the Bank before and after the announcement of the rise in rates.

The Bank of England's trade-weighted sterling index closed 0.3 higher at 76.6. This is, however, well below its highs in March, April, and May and its most recent peak of 79.2 recorded on May 16.

The decision to UK raise rates came after the release of figures which were better than market expectations.

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UK to reopen diplomatic ties with Tehran

By Robert Mauthner and Tony Walker in London

BRITAIN will send a diplomat to Iran for the first time for a year to explore the prospects of a lasting improvement in Anglo-Iranian relations after a long period of tension, the Foreign Office announced yesterday.

Mr David Reddaway, an Iranian expert and fluent Farsi speaker, who holds the rank of a First Secretary, will fly to Tehran on Thursday for two or three weeks.

The announcement came as Mr Javier Perez de Cuellar, the UN Secretary General, was about to proclaim a ceasefire date in the eight-year-old Gulf War which, according to some estimates, has claimed more than a million lives.

Mr Perez de Cuellar, who has held intensive discussions with Iraqi and Iranian officials over the past three weeks in an effort to bring about an end to hostilities, was reporting to the Security Council before making a public announcement.

This will open the way for the deployment of a multinational peacekeeping force at strategic points along the 1,200km Iran-Iraq land border to monitor the truce between the bitter foes.

The decision to send a British diplomat back to Iran has been taken in the wake of Tehran's acceptance of a United Nations resolution calling for a ceasefire in the Iran-Iraq conflict and a promise by Iran to stop attacking shipping in the Gulf.

Efforts towards a ceasefire agreement were speeded at the weekend by President Saddam Hussein's announcement that Iraq was dropping its demand that direct talks between the protagonists be held before accepting a UN-sponsored truce.

Gulf and international pressure reportedly persuaded the Iraqi President to change his mind in what was described by UN officials as a "major breakthrough" in efforts to end the Gulf conflict.

Iranian officials wasted little time at the weekend in agreeing to direct talks following the implementation of a ceasefire, but Western officials warned that negotiations on a comprehensive settlement faced many obstacles, not least the residue of bitterness that exists between the protagonists.

In Tehran, President Ali Khameini welcomed progress towards an end to hostilities.

Mr Khamenei condemned both the Soviet Union and the United States – without specifically naming them – for aiding Iraq. "This was a war that really was organised against the Islamic revolution of Iran," he said, "and its aim was to topple the revolutionary regime and destroy the revolution itself."

Tension rises after Soviet jet shot down

By John Lloyd in Moscow

TENSION between Moscow and Islamabad over Afghanistan mounted yesterday amid reports that Pakistan was holding a Soviet airman who baled out of his fighter when it was shot down, apparently within Pakistani airspace.

Reuter newsagency, quoting "informed sources", reported from Islamabad that the Soviet pilot was now on his way to the Pakistani capital from a tribal area bordering Afghanistan's Paktia province.

In a separate incident, the Islamabad Government said yesterday that two Afghan airmen had defected to Pakistan in a Soviet-built MiG-21 aircraft.

The Soviet pull-out was continuing, however. The first units of the estimated 22,000 troops based in Kabul flew home yesterday, watched by invited Western journalists.

Mr Eduard Shevardnadze, the Soviet Foreign Minister, ended a three-day visit to Kabul on Sunday with further warnings of unspecified reprisals if Pakistani aid for the rebel forces did not cease.

A joint statement by Mr Shevardnadze and President Najibullah of Afghanistan suggested that Moscow and Kabul would regard themselves as released from pledges to withdraw Soviet troops if Pakistan did not change its "obstructionist line".

It said the Soviet Union and Afghanistan would "draw the necessary conclusions" if there was no end to "interference in Afghanistan's affairs". The statement also called on the US, as a guarantor of the

Continued on Page 14

MARKETS

INTEREST RATES
US lunchtime
Fed Funds 7¾ (7½)
3-mth Treasury Bills: yield: 7.883 (7.1)
Long Bond: 100⅓ (100⅓)
yield: 9.107 (9.12)
Lon: 3-month Interbank: close 10⅞

STERLING
New York lunchtime:
$ 1.6955
London:
$ 1.6970 (1.6973)
DM 3.2275 (3.2050)
FFr 10.8825 (10.8050)
SFr 2.6975 (2.6750)
Y 227 (226.25)

DOLLAR
New York lunchtime:
DM 1.9035 (1.8945)
FFr 6.4165 (6.3855)
SFr 1.5910 (1.582)
Y 133.92 (133.875)
Lon:
DM 1.9020 (1.8930)
FFr 6.4125 (6.3825)
SFr 1.59 (1.58)
Y 133.75 (133.65)

GOLD
New York: 2pm Comex Dec $443.7 ($432.2)

STOCK INDICES
New York lunchtime:
Dow Jones Ind. Av. 2,125 (+6.40)
S&P Comp 272.46 (+1.31)
London:
FT-SE 100 1,876.0 (+0.1)
World: 128.23 (Fri)
Tokyo
Nikkei Av 28,253.12 (-109.06)
Frankfurt
Commerzbank 1,510.4 (+11.1)

OIL
Brent 15-day (Argus) $ 15.50 (+.85)
West Tex Crude $ 15.795 (+.57)

CONTENTS

Romania becomes thorn in the flesh of Soviet perestroika

Nicolae Ceausescu, the Romanian leader, who has taken a consistently independent line to Moscow on foreign policy, now threatens the cohesion of the Warsaw Pact and East-West detente by increasing repression at home

Higher growth forecast for West Germany

By David Goodhart in Bonn

THE West German Economics Ministry yesterday provided another bullish review of the country's growth prospects including a prediction of a 3.25 per cent increase in gross national product in the second quarter, which would mean 3.5-4 per cent growth for the first half of 1988.

The Government has happily seized upon the higher than expected figure for this year – oow put at between 2.5 and 3 per ceot – to challenge the widespread view that West Germany is not pulling its economic weight.

Mr Otto Schlecht, State Secretary in the Ecooomics Ministry, said that the average annual growth rate of 2-2.5 per ceot experienced since 1983 would continue well into the 1990s. He also said that the Government's budget deficit as a percentage of GNP would fall slightly next year to 2.5 per cent but then rise, mainly because of tax cuts, to 3 per cent in 1990. This would be higher than in any major Western economy except Canada and Italy.

Mr Schlecht was less certain about how sharply GNP growth would slow in 1989 but predicted a growth rate of 2 per cent with a margin of error of 0.5 per cent either side. Consumer taxes, he added, would put 0.5 per cent on the inflation rate for 1989 which he saw rising to only 2 per cent.

The Economics Ministry said that private consumption was the force behind the higher than expected growth but investment was also picking up, thanks to public sector spending and strong exports, and could grow by more than 4 per cent this year.

The Munich-based IFO economic institute yesterday gave some backing to the ministry's assumptions on growth and investment in its latest survey. IFO is now expecting 2.75 per cent growth this year and 1.5-2 per cent next.

There was little optimism about a swift decline in the unemployment total from its current level of 2.2m (8.6 per cent), but Mr Schlecht did say he expected it to fall below 2m by 1992.

A revival in international concern about lack of progress in reducing West Germany's current account surplus might also be imminent. Thanks to a worldwide investment boom – which has benefited West Germany's powerful capital goods industry – and a depreciating D-Mark, the surplus is likely to remain higher than originally expected in 1988 and 1989.

Hungary steelmakers threaten export cut

By Leslie Colitt in Berlin

HUNGARY'S IRON and steel producers have threatened to consider halting unprofitable exports to other Comecon countries after the the Government's withdrawal of subsidies for metal exports.

The incideot underscores growing teosions between Comecon members because of the lack of reforms in the Soviet-led economic and trade group.

Directors of Hungary's largest metalworking plants asserted that up to 80 per cent of their sales to the Soviet Union and other Comecon nations had become unprofitable.

As part of an economic austerity programme, the Hungarian Government has slashed subsidies on these exports.

Managers of the affected companies said a fall in their exports to Comecon made production so unprofitable that supplies to the domestic market were also endangered.

The export subsidies are part of a chain of taxes and subsidies designed to bridge differences in price formation among Comecon members.

Mr Endre Gomori, a Hungarian Comecon specialist, accused the Soviet Union of verbal "radicalism" in its economic reforms but of being far less radical in implementing them.

Mr Gomori said Moscow had engaged in a "specific form of political suppression" in the past by forcing its Comecon partners to adopt central planning, which thwarted reforms.

Proposals at last month's Comecon summit meeting for introducing market forces and radically reforming the price, currency and financial systems were "wishes and not economic facts."

Comecon's problems, he noted, were mainly the result of an "economy of scarcity." This encouraged central planning and discouraged the creation of convertible currencies which were the basis for "genuine, multilateral co-operation."

UN body calls on Japan and UK to pay full dues

BRITAIN and Japan have each paid half their 1988 contributions to the financially-troubled United Nations Food and Agriculture Organisation (FAO), the agency said yesterday, Reuter reports from Rome.

It said Britain had paid around $7m, while Japan had contributed around $14m. It said that the money from both countries was received in July.

"We hope that they will be able to pay the rest as soon as possible to alleviate a far-from desirable financial situation while we are engaged in major campaigns against locust infestations that threaten much of Africa," a spokesman said.

The FAO's major contributor, the United States, paid $25m of blocked contributions in late July after settling a row over budget procedures.

The FAO said the British and Japanese contributions would help ease the immediate difficulties. "We continue to have financial problems but it all helps," a spokesman said.

Several major donor countries in the 158-nation agency, which faces a severe cash crisis because of the witholding of contributions, have protested that they do not have enough say in the way its budget is drawn up.

But a meeting in May of FAO's finance and planning committees answered many of their concerns by agreeing that Mr Saouma would in future consult member nations before drawing up the biennial budget.

Hungary plans choice for conscientious objectors

AN ALTERNATIVE service for those refusing to do compulsory 18-month military service will be introduced in Hungary starting next year, a daily newspaper reported yesterday, AP reports from Budapest.

While general compulsory service would remain in effect, the Government newspaper Magyar Hirlap said, "in consideration of Hungary's national and international interests, citizens are to be given a choice. . ."

In June, Poland became the first Eastern bloc country to establish an alternative civilian service.

Last week, a senior Communist Party official disclosed that 590 conscientious objectors have refused to serve under arms in Hungary since 1977.

Mr Ferenc Szomhathelyi, deputy head of department in the party's Central Committee, said that 40 to 45 young people have been jailed every year for their refusal to bear arms.

"This practice must be changed now," he told the party daily, Nepszabadsag.

At present, people who refuse to do mandatory military service in Hungary for reasons of conscience or religion are imprisoned for up to five years.

According to Magyar Hirlap, the alternative service "is not to be punitive in nature, nor more attractive than the armed service, and carries no (material) advantages."

Tirana samples the outside air

Michael Smith on Albania's tentative emergence from isolation

ALBANIA'S isolationist leaders have been putting a cautious foot outside their front door, in apparent recognition of their need to boost trade and secure technology for the weak economy.

Diplomatic relations have been established with West Germany, and high-level visits have recently been exchanged with Turkey and Greece, both Nato members. Mr Andreas Papandreou has agreed in principle to make what would be an unprecedented visit by a Greek Prime Minister to Tirana. Together with Albania's attendance at the Balkan foreign ministers' meeting in Belgrade in February, and an improvement in relations with a number of East bloc countries, these developments add up to a marked increase in diplomatic activity by Tirana.

Dr Patrick Artisien of the University of Wales says he detects a much greater degree of self-confidence in the approach of today's Albanian leadership. He adds that Tirana must also be aware of the need to satisfy the aspirations of a young population (the average age is 26) increasingly exposed to a sophisticated outside world via Italian and Yugoslav television.

By the standards of the perestroika era, no-one in Albania could be called a reformer. Indeed Mr Ramiz Alia, the party leader, has ruled out "Gorbachevian reforms". But both he and Mr Foto Cami, the party ideologist, have been cautiously, if slowly, promoting a more pragmatic approach to the country's economy.

The money needed to replace Albania's ageing industrial infrastructure will, in the end, have to come from the West. The problem is that the constitution expressly forbids the acceptance of foreign credits.

Immediately after the establishment of relations with West Germany, in October last year, the Albanians accepted a DM6m (£1.9m) grant of "technical assistance" from Bonn. Mr Hans-Dietrich Genscher, the West German Foreign Minister, promised that economic relations between the two countries would become "substantially deeper".

But Dr Artisien believes that Mr Alia is unlikely to move too fast to remove any of the cherished isolationist principles of his predecessor, Mr Enver Hoxha. The latter used to say that the Albanians would rather eat grass than accept "30 pieces of silver" and, as Dr Artisien points out, such utterances continue to be upheld by today's leadership.

In addition, Mr Hoxha's widow, Nexhmije, still wields considerable influence and, although not herself a politburo member, she has several influential allies on the party's top body.

Turkey and Greece appear to be competing for influence in Albania, Jim Bodgener writes. Mr Mesut Yilmaz, Ankara's Foreign Minister, recently became the most senior Turkish official to visit Tirana.

Turkish-Albanian relations have advanced tentatively since Enver Hoxha died in 1985. During the visit by Mr Yilmaz, two agreements were signed: an accord on economic, scientific and technological co-operation agreement, and one on road transport. A 1986 co-operation protocol signed in 1986 was renewed this year in April.

Bilateral trade rose to $3m in the first four months of 1988 from $1m in the whole of 1987.

Mr Adil Carcani, the Albanian Prime Minister, agreed in principle to visit Turkey, although no date has been set. In return, Mr Carcani also invited Mr Turgut Ozal, the Turkish Prime Minister, to Tirana.

Some of the most dramatic foreign policy developments, by Albania's slow-moving standards, have come in relations with Greece. Last year, Athens formally lifted the technical state of war which had existed between the two countries since Italy marched through Albania to invade Greece in 1940.

This was not an easy move for Mr Papandreou. The opposition New Democracy party saw it as sell-out of the 200,000 or so ethnic Greeks living in Albania. But the Athens Government counters that improved relations with Tirana are the best way to help the Greek-Albanians.

Athens and Tirana have agreed to set up a ferry link between the Greek island of Corfu and the Albanian mainland port of Saranda. Just over 500 Greek-Albanians were allowed to visit Greece in 1987, compared with only 42 five years earlier.

This year, Albania continued if not to tear down the walls of Mr Hoxha's fortress mentality at least to remove some fairly hefty bricks.

The participation by Mr Reis Malile, the Albanian Foreign Minister, at the Balkan conference in Belgrade marked a clear departure from Tirana's previous policy of shunning such meetings. Mr Malile ruled out the possibility of Albania attending any Balkan summit, but he did make it clear that his country wanted a more active role in Balkan affairs

Then Mr Rita Marko, one of the more conservative members of the Albanian politburo, visited Ankara where he had talks with Mr Turgut Ozal, the Turkish Prime Minister. Although a visit to a Nato country by such a high-ranking Albanian official was unusual, the Albanians made no great play of the fact.

Mr Malile visited Greece in April, and spoke on his return of his "special pleasure" of talking to his "close friend" Mr Papoulias, and of the "extraordinarily warm talk" he had enjoyed with Mr Papandreou.

Albania has also been busy upgrading relations with a number of East Bloc countries. (These had been badly hit when Tirana refused to side with Moscow during the ideological split with Peking.) At the turn of the year, it restored full diplomatic relations with East Germany and Bulgaria, and is now said to be considering a proposal from Czechoslovakia, a major trading partner, for an exchange of ambassadors.

Relations with "revisionist" Yugoslavia seemed to have improved following the signing of a long-awaited cultural agreement, but they continue to be overshadowed by both countries' sensitivities about the situation in the Yugoslav autonomous province of Kosovo, an area mainly populated by ethnic Albanians.

Yugoslavia has now suspended goods traffic on the Titograd-Shkoder railway, Albania's only rail link with the outside world.

The clearest sign of a major change in Albanian foreign policy would be any thaw in relations with the Soviet Union. Ties between the two countries were broken off during the 1960s, when Moscow used Tirana as a proxy target for its attacks on Chinese policy.

Despite the recent increase in diplomatic activity, Albania has persistently ruled out relations with either superpower. But Moscow has made no secret of its desire to normalise relations. Recent articles in the Soviet press have spoken of "over-reaction" and "mistakes" on Moscow's part during the split with Tirana and, rather optimistically, of a drop in the level of anti-Soviet rhetoric appearing in the Albanian media.

But as Dr Artisien points out, Albania has relatively little to gain from improved relations with Moscow. Although the Soviet Union is obviously encouraged by Albania's new signs of flexibility in foreign policy, it will have to wait.

Michael Smith is a specialist on East European affairs who works for the BBC's Monitoring service.

Bonn urged to condemn Romanian persecution

By Leslie Colitt in Berlin

THE BONN Government is coming under growing pressure to criticise in public the wide-scale persecution of minorities in Romania with whom West Germany is negotiating to buy out tens of thousands of ethnic Germans.

A Social Democrat Member of Parliament, Mr Hermann Scheer, said Bonn should reject Romania's demand to help it obtain an expanded trade agreement with the European Community in return for a "slave trade" deal allowing ethnic Germans to emigrate to West Germany.

A Christian Democrat politician, Mr Heinrich Lummer, called on the Government not to pass over "in diplomatic silence" Romania's treatment of its minorities.

The domestic criticism comes as West Germany is involved in delicate negotiations to increase the number of ethnic Germans which Romania will allow to emigrate in return for hefty payments by Bonn.

Romania is currently receiving DM10m ($5.3m) monthly from Bonn for allowing 1,000 ethnic Germans a month to emigrate. Under a 16-year agreement which ran out last June, an average of nearly 12,000 emigrated annually against payment of DM120m.

A spokesman for the Bonn Interior Ministry said last week that the Government's goal was to enable ethnic Germans to emigrate from Romania as "quickly as possible." An estimated 80 per cent of the 230,000 ethnic Germans want to leave because of worsening economic conditions and cultural discrimination.

Süddeutsche Zeitung newspaper in Munich reported that during a visit to Romania last December, Mr Hans-Dietrich Genscher, West Germany's Foreign Minister, proposed raising the number allowed out to 30,000 a year.

The Hungarian newspaper Magyar Nemzet reported last Friday that villages populated by ethnic Hungarians had begun to be razed in Romania. President Nicolae Ceausescu, the Romanian leader, plans to eliminate nearly 8,000 villages, many inhabited by ethnic Hungarians and Germans in the region of Transylvania.

They are to be rehoused in "agro-industrial centres" which are allegedly intended to lift rural living standards up to those in towns and cities. Romanian urban dwellers, however, are bearing the brunt of endemic food shortages and energy cuts.

Magyar Nemzet said the village of Korond with 5,000 inhabitants was being levelled by bulldozers. A Hungarian language newspaper in Romania named five villages slated for elimination.

The village-razing plan aroused a storm of protest in Hungary.

Minister optimistic on Cypriot

CYPRIOT Foreign Minister George Iacovou said yesterday that prospects for solving the divided island's problems were positive, Reuter reports from Athens.

"The prospects are very good. There is an international climate of detente which has influenced very positively all the peripheral problems and we nurture the hope that Cyprus will not be an exception," he said.

Mr Iacovou briefed Prime Minister Andreas Papandreou at a working lunch on recent developments and the forthcoming meeting, set for August 24 between Cypriot President George Vassiliou and Mr Rauf Denktash, leader of the breakaway northern Cypriot state.

Turkish troops invaded the northern third of Cyprus in 1974 after the failure of a short-lived coup in Nicosia. The Cyprus crisis brought down the military junta then ruling Greece.

Unemployment rate in EC rises to 10.4 per cent

THE UNEMPLOYMENT rate in the 12-nation European Community (EC) rose to 10.4 per cent in June from 10.3 per cent the previous month, according to the EC's statistical service Eurostat, AP-DJ reports from Brussels.

The EC's jobless rate is adjusted for seasonal factors and takes account of different national recording methods.

The number of persons registered as unemployed in the EC fell by 0.4 per cent in June to 15.4m from 15.46m in May, Eurostat said. The figures are not seasonally adjusted.

The agency said that for the first six months of 1988 unemployment rose strongly in Italy and Denmark but fell considerably in the UK and Spain. In West Germany and France, the EC's two other large economies, the jobless rate was roughly unchanged during the period.

Official Polish strike opposed

THE BANNED Polish trade union Solidarity has opposed a planned wage protest by the official union (OPZZ) in the copper industry, saying the action ignores the key issue of safety conditions, an opposition spokesman said yesterday, AP reports from Warsaw.

The OPZZ distributed an appeal calling for a 30 minute work stoppage in the copper mining industries of lower Silesia that today said a Solidarity adviser. Solidarity believes the failure to mention safety conditions amounts to manipulation by the OPZZ since management will be inclined to meet wage demands.

Envoy attacked

A FRENCHMAN armed with two pistols was arrested while trying to break into the villa of a Lebanese diplomat, police said yesterday, AP reports from Sassari.

A second Frenchman was stopped in a stolen car near the villa in Porto Cervo on the Costa Smeralda, said a Carabinieri official.

The incident occurred around 10:30 pm on Sunday outside the villa owned by Mr Johnny Abdo, 48, Lebanon's ambassador to Switzerland.

Lisbon power plans attract investors

By Diana Smith in Lisbon

THREE MONTHS after Portugal's parliament approved a law allowing the private sector to generate electricity, private investment projects totalling an impressive Es150bn (£574m), capable of generating 400MW of power, have been submitted for the approval of Mr Nuno Ribeiro da Silva, the Energy Secretary. Were all to be implemented, they would increase generation capacity by 10 per cent, the authorities say.

The new law breaks the 13-year-old monopoly of EDP (Electricidade de Portugal), the debt-ridden state electricity corporation formed in 1975 by nationalisation and merger of private generating and distributing companies.

Its liabilities exceed Es1,000bn. The failure of local authorities, and public and private companies to pay for electricity supplies, as well as massive investment only now coming on stream in new thermal or hydroelectric capacity have caused EDP's huge losses – the worst in the public sector – and compelled the corporation to charge what many consumers consider exhorbitant rates.

Mr Ribeiro da Silva's department, which is committed to bringing private enterprise into energy production and distribution, is delighted at the swift and voluminous response to the new law by Portuguese manufacturers, financial groups and local authorities and by foreign investors.

Many of the projects, for instance those which propose mini-hydroelectric plants on abundant northern rivers and streams, can qualify for substantial financial assistance under the EC's alternative energy programme.

Some projects propose to sell part of the electricity they generate to EDP at competitive prices, others are strictly for the manufacturers' use.

An equally dynamic response has been made to the Energy Secretary's request for large operators in the natural gas sector to become involved in distribution of natural gas in the country.

A consortium formed by British Gas and Shell Netherlands, and another by Gaz de France and Total, appear to be making the running, although other proposals have been submitted by British Petroleum, Ruhrgas and Portugal's Gas de Portugal.

Soviets inspect arms base in Belgium

SOVIET inspectors arrived yesterday to visit a Belgian cruise missile base and a missile repair shop to check compliance with the East-West treaty to remove ground-launched medium-range nuclear missiles from Europe, AP reports from Brussels.

US officials said that today the 20 Soviets will visit Florennes air base, 65km south of here and a Belgian plant, 15 km north of Florennes, which the United States uses as a repair and maintenance shop for its European-based cruise missiles.

US officials said the United States had deployed 20 cruise missiles at Florennes and 55 cruise missiles and their launch canisters were at the plant at Gosselies which belongs to Sabca, an aviation construction company.

The Soviet inspectors, led by Mr Viacheslav Lyebedev, arrived at in the afternoon at Brussels' Abelag airport in a Tupolev-134 of Aeroflot, the Soviet air carrier.

They were welcomed by Belgian officials and US Air Force Col John Fer, head of the On-Site Inspection Agency's European field office at Rhein-Main Air Base in West Germany and his deputy, US Army Lt Col Scott G. Lang.

Dressed in civilian clothes, the Soviet inspectors stood on the tarmac as Mr Lyebedev and Col Fer delivered short arrival speeches for reporters.

Today's inspections will be carried out in accordance with December's intermediate-range Nuclear Forces treaty. Under it the US and the Soviet Union will remove all ground-launched medium-range nuclear missiles with a range of 500-5,500km.

Mr Lyebedev said the INF treaty, which removes an entire class of nuclear arms, "marks the beginning of an unprecedented stage in the history of mankind. We will perform our duties in strict compliance with the provisions of the treaty."

In recent weeks, Soviet inspectors have visited US missile sites and related installations in Britain, West Germany, the Netherlands and the United States. Italy is the only European nation with bases not yet visited by Soviet inspectors.

US inspectors have already visited sites in the Soviet Union, East Germany and Czechoslovakia.

US embassy spokesman Mr Jim Findlay said the inspectors must say at 9am today which team will visit the Florennes base and which will go to the repair plant at Gosselies. He said that if the delegation followed past practice the inspection would take 24hrs.

As the Soviet inspectors and their Belgian and US escorts took part in the airport arrival ceremony, airport workers unloaded crates of equipment the Soviet officials brought along. Under the INF treaty, inspectors can bring their own tools such as radiation equipment and cameras.

The Florennes air base houses the 485th US Tactical Missile Wing. Under NATO's 1979 decision to deploy 572 cruise and Pershing-2 missiles in the five European nations, 48 cruise missiles were to be based at Florennes.

The repair plant at Gosselies belongs to the Belgian firm of Sabca, a Belgian aviation construction firm.

"The plant is the European Repair Facility for cruise missiles," Mr Findlay said. "It does routine maintenance and control checks on unarmed missiles" from Belgium, West Germany, Britain, Italy and the Netherlands, the five European nations with Nato bases.

Under the INF treaty, the United States and the Soviet Union agreed to remove hundreds of ground-launched medium-range missiles over a three-year period and not to produce or test such weapons thereafter. The treaty also gives each party on-site inspection rights for 13 years.

The treaty covers US cruise, Pershing-1A and Pershing-2 missiles and Soviet SS-20, SS-4, SS-5, SS-12 and SS-23 missiles.

In all, the Soviet Union must destroy some 6,000 items, missiles and related components. The United States mnat destroy 2,000 items.

Mystery goddess summons up a storm

By John Wyles in Rome

A SIX-FOOT tall goddess who looks like a million dollars (or, rather, $20m in this case) and whom some consider an illegal Italian emigrant is at the centre of a growing controversy involving the Getty Museum in Malibu, California.

Archaelogical experts agree that she is 4th century BC Graeco-Italian and may well be Aphrodite, hnt she could be Helen of Troy for all of the dust she is kicking up from her Californian pedestal. The central qnestion is whether she was excavated illegally from the Magna Graecia ruins at Morgantina in Agrigento in Sicily, put into the clandestine art market allegedly thriving in Switzerland and then imported by the Getty at a price declared to the customs of $20m.

The museum says allegations that she was stolen are "purely speculative" and that it inquired fully into her background before acquiring her.

It had asked the Italian Ministry of Cultural Assets, among others, if there were any possible claims against the statue and the Ministry apparently established that no similar marble and limestone figure was known to have been stolen. But the museum refuses to reveal from whom it acquired the goddess or to give any other details of her recent whereabouts.

Mr Silvio Raffiotta, the chief investigating magistrate in Enna in Sicily, who has been chasing illegal excavators and exporters for years, said last week he had established "the certain existence" of an illegal trade in relics from Morgantina to private US museums, including the Getty.

Though divided, the experts so far on puhlic record are unanimous that the mysterious goddess was exhumed from Italian soil, but divided as to whether it was the Morgantina turf under which she lay. Thomas Hoving, a former director of the Metropolitan Museum of New York, is convinced she was found there, but Professor Malcolm Bell of Virginia University who is currently excavating at Morgantina, thinks the statue originates from elsewhere in the Italian part of the former Greek empire.

From the legal point of view the argument is immaterial because, under Italian law, ancient relics, once dug up, belong to the state.

Ozal faces unwelcome vote of confidence in constitutional referendum

By Jim Bodgener in Ankara

TURKEY'S Prime Minister, Mr Turgut Ozal, and his Motherland Party (ANAP) confront a critical and unwelcome test in the form of a referendum, which will nominally be about a complex constitutional issue bot may turn out to be a straight vote of confidence.

Mr Ozal faces the prospect of a plebiscite after failing to reach a compromise with the veteran former premier Suleyman Demirel and his True Peth Party (TPP) over the weekend.

Althoogh political horse-trading between the Turkey's parliamentary parties might yet avert this prospect for Mr Ozal, many observers feel that perhaps he has miscalculated badly for the first time in two premierships marked by strategic brilliance in domestic politics.

Mr Ozal wants to hold municipal elections in ths autumn (the date being mentioned is November 13) rather than in bleak late winter in March, as scheduled by the 1982 constitution framed by the military.

In order to bring forward the date of the local elections through a straight parliamentary vote, the Government would have needed the support of 300 out of the 450 members of Turkey's legislature. Bnt during a debate on Saturday, ANAP only managed to muster 284 votes: so a referendum on the timing of the municipal poll now looks likely.

In Saturday's vote, the second largest parliamentary grouping, the Social Democratic Populist Party (SHP) voted to a man against the Government, while the TPP boycotted the ballot.

With ANAP flagging badly in opinion polls, and inflation eroding living standards, a referendum is the last thing Mr Ozal wants right now.

The boycott of Saturday's voting by the TPP marked the climax of a growing battle of wills between Mr Ozal and Mr Demirel. The latter's price for letting Mr Ozal off the referendum hook by joining forces on the amendment included equality of airtime on state-run Turkish Radio and Television. This was too high for Mr Ozal who in the past has adroitly and unabashedly capitalised on the Government's priority in broadcasting.

The SHP, for its part, has steadfastly opposed the whole idea of early local elections, although it says it will contest them fiercely it they take place. Its leadership, a partnership between the chairman, Professor Erdal Inonu, and the secretary-general, Mr Deniz Baykal, will turn the referendum into a test of confidence in Mr Ozal if it can.

Should the referendum turn into a mild druhhing for ANAP, as is posible, the spoils will then fall to the SHP rather than the TPP.

Mr Ozal'e discomfiture would bolster the SHP claim that the Prime Minister has lost so much public support that he should call a general election at the earliest opportunity. It seems likely, however, that ANAP will scrape through its forthcoming tests, albeit in ragged shape.

For the bureaucrats holding the Treasury's austerity line, and businessmen and bankers pressured by high real interest rates, a referendum followed by the local elections could be disastrous, plunging Turkey into an orgy of election economics perhaps worse than the overspending last year leading to this year's hangover of 75 per cent inflation.

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OVERSEAS NEWS

Malaysian court hears key case in party struggle

By Wong Sulong in Kuala Lumpur

THE Malaysian Supreme Court, its ranks depleted by the sacking of its senior judge and the suspension of five other judges, yesterday heard a crucial appeal involving the future of the country's ruling United Malays National Organisation. It said it would give its verdict today.

Eleven Umno opponents of Dr Mahathir Mohamad, the Prime Minister, are seeking an order to revive the party declared unlawful by the High Court last February.

The verdict of the Supreme Court is of paramount importance to the disputing Umno factions. If the court allows the party to be revived, it would put Dr Mahathir in serious trouble. He had gone ahead to form his own party, called New Umno, and under the law, he can no longer retain the presidency of the old Umno if the party can be legalised.

In turn, Dr Mahathir is asking the Supreme Court to vary the High Court's decision to enable his new party to assume the substantial assets and liabilities of old Umno.

The appeal was to have been heard last June, but was delayed because of the suspension and subsequent dismissal of Tun Salleh Abas as Lord President of the court. Tun Salleh claimed action was taken against him because Dr Mahathir did not want him to chair the appeal case before a full bench of nine Supreme Court judges.

The appeal is being heard by only five judges, two of whom are co-opted from the High Court.

Meanwhile, the Government yesterday made public the full report of a tribunal set up in June to investigate into government charges of misconduct against Tun Salleh. In recommending that Tun Salleh be sacked, the tribunal said he had acted in such a way as would destroy public confidence in his impartiality, honesty, integrity and ability to make decisions as a judge.

The tribunal regretted Tun Salleh had boycotted its proceedings, saying its decision "may well been different" had it been able to hear his defence. Given the circumstances, the tribunal said it had to conclude that there was no evidence to show that Tun Salleh was suspended because of his political bias over the Umno appeal case.

Obstacles along the Chinese road

Robert Thomson gets stuck in a Kunming traffic jam

THE traffic accident blocking the socialist road had a simple solution. Call the police, move the two offending trucks, and clear the way for the masses to continue their modernisation drive.

But a force more powerful than the Chinese police kept the trucks in place, the road blocked for 11 hours, and several thousand bus passengers, farmers atop tractors, truck drivers and cadres in their imported cars. They were waiting for someone else to take the first step, to take responsibility.

On a straight stretch of road 20km from Xiaguan and 379km from Kunming, the capital of Yunnan province in the south-west, an empty timber truck overtaking a gas tanker with trailer lost control on a slippery patch, hit the tanker and slewed across the road. One driver suffered minor injuries.

The road was blocked and the scene set. The drivers did not want to move their vehicles, as the first to start his engine would lose face and implicitly admit his guilt. So, just after 11pm on Sunday night, the Xiaguan public security bureau was alerted, and a lengthening line of cars, trucks and buses waited. At 7am the next day, my bus joined the queue, by then a kilometre long in both directions.

Among those in stranded buses were several uniformed police officers, and the masses began to ask why they could not take the initiative and responsibility.

A small officer in baggy green trousers and prematurely grey hair, sensed that an explanation was needed, and spoke as if reading from a Communist Party document.

"When there is an accident, if it cannot be settled on the spot, it can only be resolved by the relevant local authorities. I went to look at the trucks, but it's too difficult to resolve," he said solemnly.

In other words, police from Xiaguan must approve the moving of the trucks. A truck driver, his cynicism fashioned by a nine-hour wait, saw little point in calling the local police again: "they will come when they are coming."

To the early morning background music of masculine China – the hacking coughs, the deep and constant throat clearing and spitting – the masses brought to the surface the complaints that often linger in their bodies but are rarely spat out.

One man said all police are lazy and most of them are corrupt. Another complained that Chinese officials are overfed and underworked, and a bus driver mocked the voice of official China and cited rules requiring the police to start work at 9am.

By this time two biscuit sellers had arrived by bicycle from Xiaguan, and faithfully obeyed the party's exhortation to "get rich through labour."

The end appeared to be near when a police van with lights flashing and a sense of urgency rounded a corner, and sped alongside the waiting line. As it neared the accident site, the vehicle stopped, and a uniformed officer handed a package to court officials in a stranded mini-bus. The officer returned to the van, which backed away, turned around and drove back towards Xiaguan with lights flashing.

"We are not here to solve this problem. We are going to a court case in Kunming," a court official said, as truck drivers gathered for an explanation. They were told that not just any police from the area would do; there had to be a traffic police officer at the scene, regardless of the rank of other officers present.

Half an hour later a police van and car arrived, with the mandatory traffic officer, and about seven regular officers, who produced one tape measure and a note pad. They measured the trucks, the wheelbase and the length of imaginary skid marks. An officer, straight-faced, urged his comrades to "use time efficiently."

The measuring done, the time had come to move the trucks, but the drivers were missing, so a cabin window was broken, the engine of the timber truck started, and thus the socialist road was cleared.

Ni Huang, of the Xiaguan public security bureau, who oversaw the police operation, claimed that he had not heard of the accident until an hour earlier. With appropriate gravity, he promised: "We will apportion blame and punishment, according to the law, to those responsible."

> To the early morning background music of masculine China – the hacking coughs, the deep and constant throat clearing and spitting – the masses brought to the surface the complaints that often linger in their bodies but are rarely spat out.

Four die in Burma as violent protests sweep through cities

FOUR people were killed yesterday in demonstrations across Burma, Reuter reports from Bangkok.

Protests took place in Rangoon and 14 other towns across the country, said Rangoon Radio, monitored in Bangkok. The day of protest was to demand a democratic government and an end to their economic problems.

Rangoon Radio said that there was shooting in several places and two people died in Mandalay, 650km north of Rangoon, and two others in Mergui, 550km south-east.

Throngs surged through the streets of the capital, defying martial law imposed last Wednesday, in the biggest popular demonstration since a military coup that brought the long-time hardline leader Ne Win to power in 1962.

Eyewitnesses said that across the capital orderly groups of up to 10,000 people formed and reformed, filling the tree-lined streets, marching past trucks full of armed troops and chanting for more rights.

They demanded the ousting of Sein Lwin, a 64-year-old former brigadier-general who took over from Ne Win on July 26 as head of the ruling Burma Socialist Programme Party and also became president.

Diplomats in Rangoon, contacted by telephone from Bangkok, said that people flowed into the city during the day from neighbouring districts, gathering in groups up to six blocks long.

Marching behind red flags symbolising courage and waving portraits of the 1940's national hero Aung San, young students, women, monks and other Rangoon residents converged on the main government offices to call for democracy and economic reform.

The troops, who had been on foot patrols for the last five days, were deployed in trucks and armoured cars. They did not intervene.

It said: "As there were violent incidents in Mandalay and Mergui during the demonstrations security forces had to use their weapons to control the situation. As a result two were killed and six were wounded in Mandalay and two were killed and six were wounded in Mergui."

The radio said security forces in Rangoon did not use their weapons but used loudhailers to disperse the crowds.

The demonstrations were the climax of a wave of popular anger that erupted in street fighting in March and June.

Tunisian leader's Tripoli visit confirms better ties

By Francis Ghilès in London

MR Zine El Abidine Ben Ali yesterday completed the first ever visit by a Tunisian head of state to his Libyan neighbour.

This visit confirms that the improvement in relations between the two countries, which followed the ousting of the ageing former Tunisian head of state, Mr Habib Bourguiba, last November 7 will continue.

Better relations have already led to the reopening of the frontier between the two countries.

The many Libyan visitors who have flocked to Tunisia since last January have earned their neighbour's balance of trade over $100m, while at least 15,000 Tunisians have been able to find work in Libya.

Further prospects for joint economic projects exist but ideas of common oil exploration plans offshore in the gulf of Gabes appear somewhat premature despite the starry-eyed articles which have appeared of late in the Tunisian press.

The Tunisian head of state has also been involved in trying to bring together the Libyan leader, Colonel Muammar Gadaffi, and the Chadian president, Mr Hissene Habré.

Thatcher to press for UN role in Kampuchea peace

By Roger Matthews in Bangkok

MRS Margaret Thatcher, the British Prime Minister, said yesterday that the success of the United Nations in negotiating a ceasefire between Iran and Iraq boded well for the resolution of other world issues, such as Kampuchea and the Arab-Israel conflict.

At a press conference in Bangkok, Mrs Thatcher pledged that on her return to London she would press the other four permanent members of the UN Security Council to become more actively involved in the quest for a Kampuchea settlement.

The Prime Minister said that the likely withdrawal of Vietnamese troops from Kampuchea had to be seen as the counterpart to the Soviet Union's pullout from Afghanistan.

"It signals the retreat of the Communist countries. They are now going a little further towards a more free society. This is just as good news for this part of the world as the Soviet withdrawal from Afghanistan, and the warmer relations which are developing between the Soviet Union, Europe and the US. This is all of a piece," she said.

At the same time Mrs Thatcher was greatly encouraged by the improved mood of co-operation at the UN. The reason for the achievement of a ceasefire in the Gulf was because the permanent members of the Security Council had stuck together over Resolution 598.

"I think that by sticking together we made it perfectly clear that it was time for a resolution of this problem," she said.

"So that when there was a sudden breakthrough and Iran decided to accept Resolution 598, the whole mechanism was there in place and it allowed Secretary General Perez de Cuellar to go straight into negotiations for a ceasefire agreement."

Mrs Thatcher added: "This bodes very well not just for that particular problem but, with the five permanent members working together in future, for the settlement of other problems such as Cambodia (Kampuchea)."

US urges Israel to talk to Palestinians

By Andrew Whitley in Jerusalem

AS THE Palestinian uprising enters its ninth month today, the Reagan Administration is urging Israel to reopen a dialogue with Palestinian leaders in the occupied West Bank and Gaza Strip.

During a tough talking meeting in Tel Aviv yesterday, Mr Richard Murphy, the US Middle East envoy, told Defence Minister Yitzhak Rabin of US concern over the "drying up of channels of communication". Despite well advertised Israeli misgivings, the US official is himself hoping to meet a group of prominent Palestinians associated with the PLO in Cairo either today or tomorrow.

Preparations for the meeting, being arranged by the Egyptian Government, are at an advanced stage. But last minute obstacles over the exact composition of the Palestinian delegation – and whether it would formally represent the PLO could still torpedo the plan.

According to knowledgeable Palestinians in East Jerusalem, the PLO has reversed its earlier refusal to permit a meeting with Mr Murphy. This may have followed recent hints from Washington of a shift in US thinking towards Palestinian representation.

A list was circulating around Jerusalem yesterday of personalities said to have been authorised to talk to the Assistant Secretary of State. It was made up of Professors Edward Said and Ibrahim Abu Lughod, two US citizens, Mr Hanna Siniora and Mr Fayez Abu Rahme, two Palestinians from the occupied territories, and Mr Nabil Sha'af and Mr Akram Haniyah, two other known PLO activists.

During his two-and-a-half-hour meeting with Mr Rabin and an array of top Israeli army officers, Mr Murphy renewed US criticism of Israel's use of deportations and home demolitions as a weapon in controlling the unrest. Figures compiled by a West Bank legal watchdog organisation, Al Haq, show that more than 1,200 Palestinians have been expelled from the occupied territories since 1967; 28 of them since the uprising began.

Gandhi blamed over Nagaland

By K.K. Sharma in New Delhi

MR RAJIV GANDHI, India's Prime Minister, yesterday came under strong attack from the opposition in both houses of parliament for dissolving the eight-month-old legislature in the north-eastern state of Nagaland over the weekend rather than give his opponents the chance to form the government.

The opposition staged a noisy walkout over the issue which has meant a considerable setback for Mr Gandhi whose Congress-I party had won state elections in Nagaland eight months ago after a series of electoral reverses in other states in the previous two years.

That the Congress-I held power in Nagaland for just eight months shows that the party is still weak in many states and that dissident activity in its ranks is adding to its problems a time when national general elections are less than 18 months away.

The political crisis in Nagaland began early last week when 13 Congress-I legislators including four ministers resigned from the party and reduced the state government led by Mr Hokishe Sema, a nominee of Mr Gandhi, to a minority.

Singapore's GDP growth

Singapore's gross domestic product grew 10.8 per cent in the second quarter of 1988 compared with 11.5 per cent in the first quarter and 7.9 per cent in the 1987 second quarter, the Trade and Industry Ministry said, Reuter reports.

The ministry's quarterly economic report forecast 9 per cent growth for the whole of 1988. It said the overall growth in the first half of the year was 11.1 per cent, the highest in any half year since 1975.

Sudan flood emergency spreads

Khartoum and three other Sudanese cities have been declared disaster areas following floods caused by torrential rains that left about 1m people homeless, Egypt's Middle East News Agency reported, AP writes from Cairo.

The state-owned agency quoted Mr Hussein Abu-Saleh, the Foreign Minister, and Mr Omar Nour el-Dayem, the Finance Minister, in its reports late Sunday night and early yesterday. It said Mr Abu-Saleh had issued an appeal for international help at a news conference in Khartoum on Sunday night.

China's output up 15.5%

China's industrial production climbed at an annual rate of 15.5 per cent in July, despite power shortages exacerbated by a drought across much of the country, the People's Daily said, Reuter reports. Output grew at an annual rate of 15.2 per cent in June and 16.9 per cent in July last year.

Power shortages forced output cuts in the petrochemical industry and production of fertiliser, ethylene and cement fell below target. The newspaper also predicted production problems with sugar, cotton yarn, aluminium ingots, and paper and pulp in the second half of 1988.

AMERICAN NEWS

Shultz survives bomb attack on car in Bolivia

By Our Foreign Staff

A BOMB damaged cars in the motorcade of Mr George Shultz, US Secretary of State, in La Paz, Bolivia, yesterday.

No injuries were reported in the explosion. US officials said the device did not appear to be powerful enough to have injured Mr Shultz even if it had gone off beside his armour-plated limousine.

No-one claimed responsibility for the attack, and Bolivia has no major organised anti-government guerrilla movement. But Bolivian Foreign Minister Guillermo Bedregal said cocaine traffickers were responsible for the two bombs.

A second bomb was reported to have exploded near the US Commissary in the La Paz neighbourhood of Calacoto. No injuries were reported but the entrance to the building was damaged.

The first device, believed to have been remotely detonated, exploded after Mr Shultz's car had passed it, as the motorcade entered downtown La Paz coming from the airport. A van carrying five State Department officials took the brunt of the blast. Two other vehicles, including a car carrying Helena Shultz, Mr Shultz's wife, were also damaged.

Mr Shultz was riding in one of the first few cars of the motorcade, with Mr Bedregal and David Greenlee, US Embassy Chargé d'Affaires. A police escort accompanied the motorcade.

Mr Shultz, who has been Secretary of State since 1982, has never before been attacked.

During his trip, Mr Shultz will be meeting with top Bolivian officials, including President Victor Paz Estenssoro, as part of a nine-country Latin American tour. He is expected to deliver a speech praising Bolivia for its anti-drug programme, and to endorse an economic austerity programme that has brought runaway inflation under control.

US efforts to stem Bolivia's thriving cocaine trade have fuelled anti-American sentiment, and the incident may have been intended as a warning to US officials and businessmen not to interfere with the drug growers.

Developing a postmodern dream on 42nd Street

James Buchan reports on plans to bring office space and Beaujolais to the seediest block in New York

MS Veronica Hackett, a brisk and elegant woman who is trying to rebuild a part of Times Square, *flicks a switch to light* up an architectural model. Four slim towers, sheathed in what looks like granite and glass and topped by ornamental ironwork, rise up at the four corners of a model 42nd Street.

The four towers, designed by the wizards of post-modernism, Mr Philip Johnson and Mr John Burgee, range from 29 to 56 floors high. If they are built, they will provide 4m square feet of office space and many shops where, according to a book put out by Ms Hackett's company, "one may purchase fine perfume and cosmetics, magnificent luggage and scarves, or enjoy a glass of Beaujolais with a perfect hamburger."

The real 42nd Street is not like this at all. On the corner of Broadway, where the four towers are supposed one day to stand, a man propositions a group of teenagers. Crack vials *crunch underfoot. In the doors of porn* movie houses, young men doze in a heap or drink bottles of something – surely not Beaujolais – out of brown bags. For this is the famous Forty-Deuce, the saddest, most garish and just plain evil city block in New York.

After four years of effort and lobbying, Ms Hackett's company, Park Tower Realty, is on the brink of realising its shimmering postmodern dream. On June 21, a joint venture of Park Tower and the giant Prudential Insurance group signed agreements with the city and state of New York for a 99-year lease on nine acres of the block and support and backing for their $1.5bn (£880m) project.

The towers are part of a 13-acre scheme described by the state Urban Development Corporation with typical New York modesty as "the most massive urban renewal plan ever launched in the country." A wholesale market and a hotel are supposed to be built at the Eighth Avenue end and nine mid-block cinemas, which began life as theatres and vaudeville houses, will be restored to their turn-of-the-century splendour.

But nothing is simple in New York, least of all in real estate, which is the city's currency. What Ms Hackett calls a "crime-ridden, dirt-ridden street" has found unexpected champions who warn that the Times Square neighbourhood, with its tawdry vitality, is being turned into a desert canyon of offices. "There should be a sense of chaos and diversity. We don't need another Wall Street," says Ms Darlene McCloud of the Municipal Art Society, the most powerful conservation group in the city.

The city is accused of trying to bury social problems in concrete and of providing Park Tower and the Prudential with up to $1bn in support and tax breaks they do not need.

The project still faces a barrage of lawsuits, and compulsory purchase of the mostly small parcels of land on the Deuce cannot go ahead until these are settled. *There are no prospective* tenants. No developers have yet been found for the hotel or the theatres.

Times Square takes its name from the building put up at the corner of 42nd Street and Broadway by the New York Times, opened on New Year's Eve 1904. With the Depression, many of the grand theatres on 42nd Street were turned into all-night movie houses. With the war, and the passage of soldiers to and from Europe, the neighbourhood became even seamier.

But since the turn of the 1980s, the relentless pressures of Manhattan real estate have pushed development into the north end of the square. In 1983, two old theatres were knocked down to make way for the Marriott Marquis hotel. Half a dozen more skyscrapers are being built.

These buildings have received only a fraction of the tax breaks and zoning exemptions offered Park Tower. The city and Park Tower retort by saying that nobody on the Deuce pays much tax anyway.

The forest of cranes at the north end has given the developers another headache. Real estate values have risen and landowners on the Deuce have complained about the $120m-odd that the city is offering for compulsory purchases. The city and Park Tower have had to fight off 29 lawsuits from landowners, joined by politicians in the neighbouring Hells Kitchen district worried that the crack trade and prostitution will simply shift on to their street corners.

Of all attempts to redevelop Times Square since the war, the Park Tower proposal has the best chance yet of being built. But as happened to another megascheme involving the city and private enterprise, the Columbus Circle office building nicknamed the Shadow, the towers may have to be scaled down and will probably be delayed. Park Tower has already bowed to pressure from the city and state and the Art Society and will devote large expanses of the towers' outside walls to electric signs.

"Our focus of concern is that the development reinforces the entertainment character of the neighbourhood," says Ms McCloud. "Where will we usher in the millennium, if we destroy Times Square?"

Hundreds of demonstrators clashed with riot police wielding batons from late Saturday night until dawn on Sunday in bloody battles on the streets surrounding Tompkins Square Park in Manhattan's Lower East Side, writes Janet Bush.

The rioting and violence erupted as angry crowds gathered to protest against a police order closing the park overnight. During the clashes, which lasted for six hours, it is estimated that 52 people were injured, including 13 police officers, and nine people were arrested on riot, assault and other charges.

Residents claimed police waded into the crowd, indiscriminately beating demonstrators and onlookers with batons.

New York newspapers ran gory photographs of demonstrators with blood pouring down their faces.

Mayor Edward Koch, responding to the night of violence and several complaints about alleged police brutality, on Sunday reversed the police order closing the park.

Tompkins Square Park has long had a controversial reputation. In 1967, hundreds of hippies clashed with police in a three-day riot over Memorial Day weekend after local residents complained about noise.

The latest controversy has also involved complaints about noise at night by locals, including an increasing number of well-heeled residents moving into the area in search of low rents.

Nowadays, the park is populated by skinheads who gather to chat and play loud music into the small hours, drug pushers and numerous homeless people.

The problems at Tompkins Square, and other parks in the city, have been exacerbated by hot summer weather which has swelled the number of homeless looking for a place to sleep outdoors.

Garcia acts to end Peruvian miners' strike

By Barbara Durr in Lima

PRESIDENT ALAN GARCIA of Peru intervened personally at the weekend to end the country's three-week national miners' strike. At his behest, a tripartite commission of senior government officials, union leaders and mine owners was to begin talks yesterday.

Mr Armando Villanueva, the Prime Minister, is to lead the commission. He said the first 20 days of the strike had cost Peru $90m (£53m).

On Saturday, President Garcia himself met 500 miners from around the country who had marched in protest to Lima. He promised them a favourable solution for their demands and indicated that the Government would concede that wages be indexed to inflation and give retirement at less than 50 years of age.

Minnesota reform offers lesson in education

By Lionel Barber

GOVERNOR Rudy Perpich of Minnesota likes to recall how he arrived as a young state legislator in Minneapolis and tried to enrol his children in the local school.

A first-generation American,' whose parents emigrated from Croatia to iron-ore mining community in northern Minnesota, Mr Perpich was horrified when he found that his children would have to repeat courses taken in their previous school upstate, and he was equally mortified when the local school board rejected his request to move them to a more challenging school.

More than 20 years later, Mr Perpich, a Democrat, has had the last word, leading a reform effort in his state which amounts to providing the most generous degree of parental choice in the US.

The initial push for change came from state businesses. Some 40 Fortune 500 companies have headquarters in Minnesota and many in the 1970s were becoming alarmed at the decline in quality of school recruits.

In 1985, the Minnesota Business Partnership wrote a report recommending a core curriculum; self-management by local schools, backed by governing bodies, with less educational interference from the districts; measures of student performance and school effectiveness; and more choice *for high school students.*

Governor Perpich, remembering his children's experience, quickly embraced the call for more choice. He started with a scheme to allow gifted (or bored) students between 17 and 18 the chance to leave public school if they could gain a place in college, the so called "post-secondary enrolment plan".

Polls showed two-thirds of the public were against the idea and school districts, fearing a student exodus, objected. In fact, only 3,000 out of 60,000 students took advantage of the offer; but the principle of choice was established.

The state then asked districts if they would like to widen the scheme to include other age-groups, allowing children to change schools if they could find a place in a neighbouring district. Some 95 districts out *of a total of 417 jumped aboard* for the 1987 school year; 153 more have enlisted for next year.

With polls now showing two-thirds of the public in favour of more choice, the state legislature then made open enrolment mandatory, starting with the bigger schools for 1989-90 and covering all schools in 1990-91.

Senator Ember Reichgott, a 34-year-old Democrat who piloted the legislation, said open enrolment succeeded because it was "a step-by-step approach which built a constituency for change." However, she was forced to drop a clause in her bill which would have introduced more rigorous testing in schools.

Other weaknesses have surfaced. While a school may not prevent a child from leaving, another school may reject the student *on the grounds that it* is full or that acceptance would violate its desegregation plan (the statewide laws which attempt to achieve a balance between whites and minorities in school districts).

Dr Ruth Randall, the state education commissioner, says voluntary enrolment is a catalyst for more competition. It should also encourage rationalisation in largely rural Minnesota, where one half of the state's school districts enrol a mere 13 per cent of children.

But she too worries about the failure to address testing, which she argues is the prerequisite for more accountability and informed choice.

Senator Reichgott intends to revive her efforts to require testing. Her problem, ironically, is Governor Perpich, who according to an adviser believes testing is "punitive and restrictive".

And to those who disagree, Mr Perpich argues that if he had faced rigorous testing as a young student with imperfect English he would probably never have become first a dentist, then a local school board member, state legislator and state governor.

Venezuelan team in US seeking new funding

By Stephen Fidler, Euromarkets Correspondent

A VENEZUELAN team led by Finance Minister Mr Hector Hurtado is in the US amid signs that the country is seeking significant new funding from creditors.

The delegation, which also includes Central Bank president Mauricio Garcia Araujo, is expected to meet officials from the US Government, the International Monetary Fund and World Bank. A series of bilateral meetings with senior US commercial bankers is expected later in the week in New York, although no meeting of the country's bank advisory committee, led by Chase Manhattan, has been called.

Reports in Caracas suggest the *Government* plans a tough line with foreign creditors. The country, which faces a presidential election in November, has seen its foreign exchange reserves shrinking as the price of oil, its main export, falls.

According to Reuters, El Nacional newspaper reported on Sunday that President Jaime Lusinchi had decided to make $2.5bn (£1.5bn) in foreign debt repayments due this year contingent on the approval of new loans by international banks.

That figure would cover both principal and interest due on public sector foreign debt.

However, the initial response to any request for new funds is likely to be frosty. The Government is perceived as having mismanaged the economy.

• Arturo Hernandez Grisanti, Venezuelan Energy Minister and a key Opec figure, has resigned, Reuters reports from Caracas. He will be replaced by Deputy Energy Minister Julio Cesar Gil.

WORLD TRADE NEWS

Searching for peace on the farm trade front

Tim Dickson on how the EC and US might benefit from eliminating subsidies

HARDENED Brussels veterans know only too well that August is traditionally marked *by a bitter farm trade battle* between the European Community and the United States. The welcome absence this year of a "pasta war" or "citrus dispute" thus means that policymakers and officials still at their desks should have time to mug up on a new study aimed at contributing to a more lasting and prosperous peace.

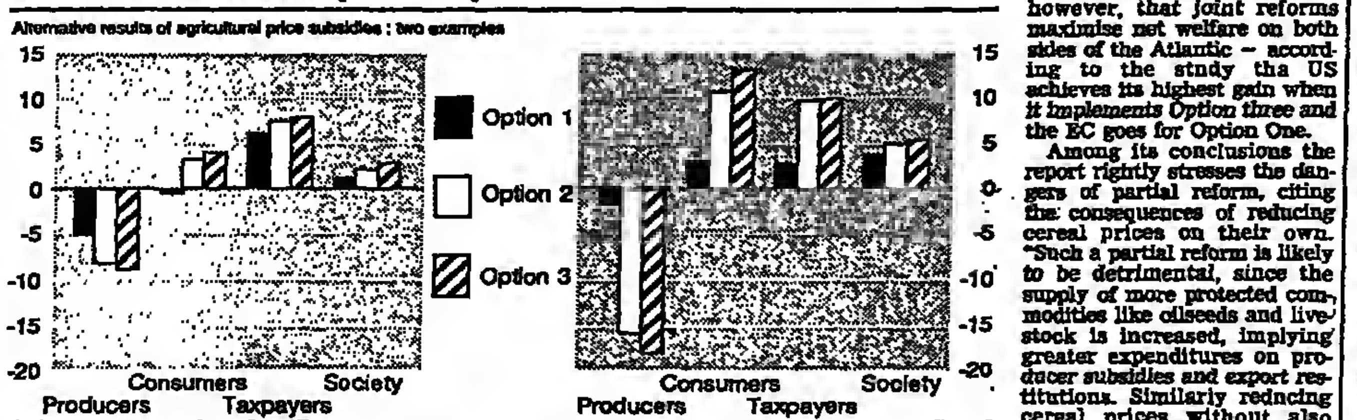
"Disharmonies in EC and US Agricultural Policies"* provides clear evidence of the overall economic gains which would flow from a dismantling of global farm supports by the world's two leading farm superpowers.

Using sophisticated econometric techniques, o distinguisbed group of agricultural economists led by Prof Ulrich Koester of the University of Kiel, West Germany, shows that Europe could make a net gain *of more than* Ecu5bn (£3.3bn) and the US an overall gain of aronnd Ecu2.5bn if joint efforts were made to eliminate some of the biggest farm subsidies.

Tbe study, commissioned but not formally endorsed by the European Commission in Brussels, is being seen as a useful contribution to tbe negotiations taking place in the General Agreement on Tar*iffs* and *Trade (Gatt)* and particularly timely in view of the impending "mid-term" review whicb will take place at Montreal in December. Its significance, however, *should not* be overstated.

As one American diplomat pointed ont this week: "The document looks like thorough and high-quality research *but* you can't get away from the fact that the political realities remain the same."

The effect of joint EC and US policy changes on US economic welfare (Ecu bn)



The report starts by listing a number of perceived distortions in EC and US agricultural policies, including the *efforts made in Europe to compensate* for low and duty-free imports of oilseeds, vegetable proteins and grain substitutes (an early quid pro quo for protectionism in other products); the internal inconsistency of the EC's sugar regime; high US *milk* support prices *relative* to market prices for cereals; US restrictions on sugar imports; and Washington'a subsidies for ethanol production.

It proceeds to evaluste the effect on taxpayers, budgets, *consumers, producers and society* of four major policy options selected by the European Commission and their relative economic impact if implemented *unilaterally or jointly in the* context of multilateral trade negotiations. This last point is important because the report strongly suggests that, while there would be a small extra advantage of tbe EC from co-ordinating subsidy reductions, considerable net benefits would accrue to either "side" acting on its own. Surprising *as it may seem the US would* be better off if any measures taken by Brussels were at the less radical end of the available spectrum.

The options are designed to be cumulative bnt as the *report points out "because policies. . . are not parallel neither are the policy options"*. Thus the first and least far reaching would involve a 20 *per cent cut in the price of* grains, oilseeds and other by-products in the EC coupled with a new 10 per cent tariff on oilseeds(i.e. a new barrier); the *US would reduce producer* prices of cereals by 10 per cent.

World grain prices are calculated to rise 5 per cent but the main drawback is that a distortion in the price of cereals alone worsens distortions in *other sectors*, notably beef and sugar.

Option Two calls for a 25 per cent reduction in European *and US dairy prices*(including the removal of EC milk quotas) and a cut in beef and sheepmeat prices of 15 per cent in Europe and the removal of the US meat import law.

Option Three would mean all the above plus 30-40 per cent cuts *in the sugar price* on both sides of the Atlantic, whila Option Four adds in a 20 per cent cut in olive oil prices in ths Community and the *removal of the ethanol subsidy* in the US.

Numerous permutations are considered in the report – sufficient to make Gatt negotiators goggle-eyed at the possibilities – but the accompanying tables sum up the effect of joint action on both economies. It is not necessarily the case, however, *that joint* reforms maximise net welfare on both sides of the Atlantic – according to the stndy tha US achieves its highest gain when *it implements Option three* and the EC goes for Option One.

Among its conclusions the report rightly stresses the dangers of partial reform, citing the consequences of reducing cereal prices on their own. "Such a partial reform is likely *to be detrimental*, since the supply of more protected commodities like oilseeds and livestock is increased, implying greater expenditures on *producer subsidies and export* restitutions. Similarly reducing cereal prices without also reducing sugar prices provides producers of sugar substitutes with a windfall gain and thus further increases the sugar surplus."

With producers who are inevitably the big losers of any policy shift - Option Three would hit net EC producer incomes to tha tune of Ecu18bn. - the report comes down strongly on production neutral income aids.

While drawing an important distinction between resulting discriminations against farmers and the removal or reduction of "excessive" benefits, the study provides ample evidence that society at large would be better off if farmers received the same amount of incoma via direct payments instead of through price support.

**Available from Office for Official Publications of the European Communities, L -2985 Luxembourg. Price Ecu62.25 and Ecu7.50 for 56-page summary.*

Pressure on Tokyo to reform its agriculture policy

By Peter Montagnon, World Trade Editor

THE Japanese Government is likely to face increasing pressure to reform its agriculture *sector* as a result of the worldwide movement towards farm reform and growing evidence of contradictions in its domestic food policy.

This conclusion emerges from a new study* on Japan's agriculture policy published today by tha Trade Policy Researcb Centre. The study says the Government "seems to be approaching an intellectual impasse" beyond which it will no *longer be able* to protect and reform its farm industry under the banner of food security.

The report notes Japan's long history of rural protection on the grounds of the need to maintain farm incomes and support production in the face of a large trade deficit in agricultural products.

As a result food prices are very high in Japan with households spending 32 per cent of disposable income on food compared with an average of 25 per cent in Europe and 16 to 17 per cent in the US.

Public opinion remains willing to accept these high prices on the grounds of national security, the report says, but the argument about farm incomes is now redundant since the growth of part-time farming has pushed average per capita farm household incomes above those of urban households.

The *report* was prepared before the recent Japanese Government decision to cut the rice support price by 4.6 per cent, the second cut in as many years, but it notes the growing pressure for farm reform coming from the Keidanren, the employers' federations.

Japanese restrictive farm practices are not a major factor in the current predicament of *US agriculture, it says, but* friction between the two countries on farm products has added to tbe tension over Japanese exports to the US of manufactured goods.

Meanwhile the rice support system has led to an expansion of rice production and a contraction in the production of less profitable crops such as cereals, soybeans and vegetables. To redress this imbalance *the Government* has been forced to raise price-snpport levels of these other crops, it says.

**Agricultural Trade and Protection in Japan, by Jimmye S. Hillman and Robert A Rothenberg, 96 pages, published by Gower for the Trade Policy Research Centre, 1 Gough Square, Fleet Street, London EC4A 3DE. Price £8.95 plus postage and packing.*

Motorola in venture with Toyota

By Ian Rodger in Tokyo

TOYOTA Motor, Japan's largest automotive group, and Motorola, the US semiconductor maker, plan a joint venture to develop custom integrated circuits (ICs) for cars.

The move is partly in response to complaints from US semiconductor makers that the Japanese automotive market has been *difficult* to penetrate. According to Japanese statistics, the US makers have about a 2 per cent share of the sector. The automotive market for semiconductors is still relatively small, accounting for 3.4 per cent of the total demand in Japan in 1986. However, it is a considered an area of considerable growth potential in the next few years. Toyota would only confirm *yesterday that* the venture with Motorola was being discussed. According to Japanese reports, the two companies will develop two types of ICs, incorporating 8-bit and 16-bit microprocessors by 1990.

Belgian port order

PAKISTAN and Belgium have signed a contract to construct a *fish harbour* and *miniport* at Gwader on the Arabian Sea, writes Christina Lamb in Islamabad. The work will be done by a Belgian construction company and 67 per cent of the Rs984m (£30.6m) cost is to be financed by Belgium.

Italy in pole position to develop trade with Iran

By John Wyles in Rome

THE Italian Government seems to have been the first out of the European starting blocks in the race *for post-war* commercial opportunities in Iran and Iraq. Mr Renato Ruggiero, the Foreign Trade Minister, completed a visit to Tehran at the end of last week and is to receive an Iraqi delegation in September.

Mr Ruggiero admits that the timing of his journey, in the wake of the Iranian acceptance of the UN ceasefire resolution, was fortuitous. The ministerial-level meeting of the Italo-Iranian commercial committee – *the first for eight years* - was arranged last May and set for late July. According to the Italians, Iran sought a postponement but was keen that the committee be revived *before* the Italian summer break.

The results of Mr Ruggiero's two-day visit, which included a meeting with the Iranian Prime Minister Mir Hossein Moussavi, are judged more in terms of political warmth generated than actual substance. One of the minister's priorities *was to tackle the major outstanding* obstacle to any development of commercial relations – the debts owed to Italian companies involved in *the construction* of the port at Bandar Abbas.

The principal creditor is IRI, the state holding group, whose construction subsidiary, Condotte, is claiming debts of L1,351bn (£571m); Iran has acknowledged only about one-third of this. In contacts last year, *the Iranian Government* tahled counter-claims of L900bn which, in February this year, the Italians say were "inexplicably" doubled.

Mr Ruggiero found his Iranian counterparts reluctant to take the matter further but, just as he was leaving for the airport, he secured a verbal agreement that a joint technical committee would meet within 60 days to try to find the basis for an agreement.

It remains to be seen whether this will reveal a new Iranian *flexibility* towards a country which has sought to maintain an even-handed approach with both belligerents in the Iran-Iraq war.

Mr Ruggiero has emphasised the parallal importance he attaches to meeting the Iraqi mission in September.

Wire deal plant with Moscow

NOKIA, the Finnish *electronics group*, has signed a joint venture agreement with the Soviets to start copper wire production in Moscow, writes Olli Virtanen.

Nokia will have a 40 per cent holding in the new company *with the rest controlled* by the Soviet enterprise Moskatel. The total investment in the project will be $50m with an annual turnover of $250m.

The new company, Elkat, will manufacture 100,000 *tonnes of copper* wire a *year* by a continuous casting process, with the latest technology and Soviet raw material.

Nokia Cables will use part of the output at its plant in Finland.

Finnish group to set up board mill in Shanghai

By Olli Virtanen in Helsinki

THE *Finnish* forest and metal industry group Tampella has sold a complete packaging board mill to China in the biggest ever deal between the two countries.

The deal, worth over FM100m (£13m), represents roughly 15 per cent of Finland's annual exports to Peking.

Annual production of the Xing Huo board mill, in Shanghai, will be 50,000 tonnes of high quality box board with bleached pulp top layer. The mill will use waste paper as its raw material.

The order includes four pulp lines, a former section containing four driers, calenders and sheet cutters, as well as a sheet packaging line and auxiliary equipment.

Tampella will be responsible for machine installation, personnel training and start-up of the board machine. Deliveries will begin at the end of 1990. The actual mill will be built by *the Chinese.*

Tampella Pulping and Paper Machinery Division is one of Tampella's four industrial groups. Its sales are expected to reach at least FM1bn this year.

UK NEWS

Midland to take lead in childcare provisions

By Michael Smith, Labour Staff

THE Midland Bank, one of the four big commercial (clearing) banks, is to become one of the first UK companies to offer in-house nurseries for children of its staff.

The scheme, which is expected to be announced today, is one of the most visible signs yet of employers responding to the decline in the number of school leavers and the consequent need to attract women returning to work after raising children.

It is expected to be the first in a series of such announcements by UK companies. Workplace Nurseries Campaign, a pressure group campaigning for childcare provision, said there has been e rapid increase recently in the number of companies considering facilities. "Once one starts, others will follow," it said.

Lloyds Bank is among other groups which are considering the provision of creches for employees.

According to a European Commission report last month, Britain is one of the least generous providers of childcare facilities in Europe. It said there was public provision for just under 1 per cent of children under five years old. Even fewer places were available in private and voluntary nurseries.

A handful of companies have in recent years taken places for their employees in nurseries run by other organisations. Few, however, have provided in-house schemes.

The Midland is presenting the scheme as a pilot, to last three years, and at first there will be two 35-place centres, in Beckenham outside London and Sheffield in the north. Both will be managed by the bank and start-up costs are £350,000.

However, Ms Anne Watts, the bank's equal opportunities director, said other centres were already being considered and there was little doubt that a more comprehensive scheme would eventually be set up.

The financial services sector is likely to be one of the hardest hit by the decline in the number of school leavers. Each year the four clearers take on more than 20,000 teenage recruits.

Already this year all four clearing banks have implemented or announced plans to extend cheap home loan schemes from full-time staff to part-timers in an effort to attract women workers.

Most of the banks have started to offer greater flexibility of hours to part-timers.

Ms Watts said senior Midland Bank management were attracted by the social implications of providing nurseries, but "the bottom line is the need to get the best people to manage the business."

"The changes in Britain's demography are making people look outside traditional areas for recruitment and retention of staff."

Under the Midland scheme, all employees will be eligible to apply for places, which will cost £35 per week for each child. Demand for places is expected to outstrip supply.

Beckenham was chosen because of ita proximity to London; Sheffield because it houses a number of head office departments.

Manufacturing output prices show small rise

By Ralph Atkins, Economics Staff

THE prices of manufactured goods leaving the factory showed only a small rise in July but there are few signs of a let-up in inflationary pressures, according to official figures published yesterday.

The Department of Trade and Industry said that manufacturing output prices rose by a provisional 0.1 per cent last month. The annual rate of increase fell from 4.6 per cent to 4.5 per cent.

The monthly rise was much less than most analysts expected but will do little to ease fears about rising inflation.

The year-on-year increase was still higher than the rates of below 4 per cent seen at the beginning of the year. Manufactured goods also form only a part of the basket of goods and services which are used for the retail prices index.

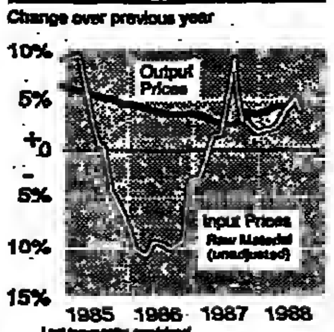
If food, drink and tobacco products -usually the most volatile items -are excluded, the figures show output prices rising at an annual rate of 4.8 per cent. That was the highest since January.

The rise in output prices was accompanied by a fall in the cost of raw materials bought by manufacturing industry. The DTI said material and fuel costs fell by 0.4 per cent in July or by 0.2 per cent after seasonal adjustment.

The annual rate of increase for raw material costs fell from 4.8 per cent in June to 4.0 per cent in July. This compared with rates of below 2 per cent at the beginning of the year.

UK Producer Prices

Change over previous year



Last two months provisional

The drop in July largely reflected falling commodity prices -particularly metals. It followed five consecutive months of rises and surprised most analysts who expected another increase.

The widening gap between output and input prices suggests manufacturers may have been taking advantage of buoyant demand in the economy to raise profit margins.

However, the strong pound is likely to have checked price rises at factory gates by making imported goods more competitive. This could mean a weakening in sterling will lead to big price rises by manufacturers

Sitting tight for the 'slowdown'

Interest rates are at Lawson's target level, writes Simon Holberton

MR NIGEL LAWSON, the Chancellor of the Exchequer, likes to surprise the financial markets. Yesterday's half-point rise in base rates to 11 per cent indicates he seems to relish doing so even while holidaying in his Blaby constituency in the south Midlands.

The official line on yesterday's rate change had a familiar ring: the Treasury was concerned that the economy is growing at an unsustainable rate, house prices and the monetary aggregates are growing too fast and this raised concerns over the outlook for inflation.

There was no suggestion from the Treasury that yesterday's rates rise would do anything but preserve Mr Lawson's prediction that inflation would peak in the first half of next year. If anything, the move was designed to ensure the truth of this prediction.

However, it eemed clear from the official explanations that the authorities have been aiming for base rates of 11 per cent, even if it did take seven steps to get there.

The Government appears, therefore, to have reached its desired medium-term interest rate target. Although it would be imprudent to rule out any future action, it would seem that the authorities are "waiting for the slowdown", as one official put it.

The intended mechanism by which the interest rate rise affects economic activity is straightforward. With domestic consumer spending -the villain of this continuing melodrama -growing by about 6 per cent a year, a rise in interest rates is meant to dissuade him or her from spending, with resulting benefit to the economy.

Britain's trade deficit on balance of payments, which has been created by a strong hunger for imported consumer goods, should begin to fall. House price inflation, which has been growing at an annual rate of nearly 30 per cent, should fall as higher home loan rates deter borrowers.

Higher interest rates should also hurt companies. Interest charges reduce profits and hence the ability of companies to accede to higher pay settlements. Exporters are also hurt because the pound remains strong.

But will yesterday's rise in rates work so neatly and precisely? There appears to be little agreement about this among economists at the sharp end of policymaking and analysis.

The tables show the extent to which the Treasury, The Bank of England, the London Business School and the National Institute for Economic and Social Research differ among each other when their complex models of the British economy are asked about the effects of a 2 percentage point rise in interest rates over five years.

Few forecasters would attach much confidence to a five-year forecast and would focus instead on the one- and two-year forecast.

The table shows the wide degree of uncertainty among Britain's top forecasters as to the effects of interest rates on growth, inflation and the balance of payments. It underlines the danger of making unequivocal statements about the economy.

The Bank and the National Institute see a rise in rates as having little effect on growth in the first or second years while the Treasury and the LBS forecast much stronger growth effects.

On the inflation outlook, the effect of a 2 percentage point rise in rates is given as modest in the first year. The forecasters divide on the outlook thereafter.

The position is similar on the outlook for the current account. The Treasury and the LBS see unequivocal benefits for the current account, while the the Bank and National Institute see little at all.

These simulations were done on the 1986 versions of the four models. According to Mr Stephen Hannah, of County NatWest, the Treasury and the LBS have both redesigned their models and made them less interest-rates sensitive; that is, the effects shown in the table of a move in interest rates are thought by those forecasters to be a lot less than presented here. The National Institute, by contrast, has made its model more sensitive to interest rates.

Further clouding the issue, a Treasury study shows that consumers are relatively insensitive to rises in interest rates. The Treasury model shows that the impact on investment is proportionately two to three times larger than it is for consumption.

Economic discussion is by nature inconclusive. Officials point out that the models cannot account for mood or psychology. Part of the tactics in raising interest rates is to alter behaviour by affecting perceptions, and this is something which can be fitted into econometric equation only imprecisely.

After yesterday's rise, rates are officially felt to stand at a level which should slow the economy reletively painlessly.

VARIATION IN BASE RATE FORECASTS

Increase of 2 percentage points in short-term rates

Year	LBS	HMT	BE	NI
GDP level (% difference from base run)				
1	-0.7	-0.7	-0.3	-0.1
2	-1.4	-1.4	-0.7	-0.2
3	-1.5	-1.8	-0.2	-0.2
4	-1.1	-1.9	0.5	-0.1
5	-0.5	-1.0	1.0	-0.1
Inflation (% points difference from base run)				
1	-0.4	-0.3	-0.2	-0.1
2	-1.2	-0.7	-0.2	-0.1
3	-1.1	-1.2	-0.4	0.0
4	-0.9	-1.2	-0.2	0.0
5	-0.7	-0.0	0.6	-0.1
Current account (£bn difference from base run)				
1	3.2	1.8	-0.2	0.3
2	2.5	2.4	-0.5	-0.7
3	3.3	1.9	-1.3	-1.4
4	3.3	1.5	-1.6	-2.0
5	3.2	0.7	-1.2	-2.4

LBS: London Business School; HMT: HM Treasury; BE: Bank of England; NI: National Institute

Source: ESRC Macroeconomic Modelling Bureau, University of Warwick

Killings mark anniversary of Ulster internment

By Our Belfast Correspondent

AS BONFIRES were lit last night in many parts of Northern Ireland to mark the 17th anniversary of the introduction of internment, two people were shot dead in the staunchly nationalist Ardoyne area of Belfast. It is believed that Protestant gunmen carried out the attack in which a teenager and lorry driver died.

A British soldier shot by the IRA three weeks ago while on patrol in West Belfast also died yesterday.

Security forces were on special alert against rioting and violence which has often accompanied past internment anniversaries. On August 9 1971, the security forces in Northern Ireland rounded up nearly 2,000 people in a pre-dawn swoop. Most were believed to have IRA connections although much of the evidence later proved to be outdated.

There was an upsurge of violence immediately after internment started and it was generally felt to have been a counter-productive policy. Mr Tom King, the Northern Ireland Secretary, said earlier this year that internment became the IRA's "greatest recruiting sergeant."

Although internment has not been used since 1975 the recent upsurge in IRA activity has brought renewed calls for its reintroduction, particularly from Unionist politicians.

A senior group of Unionists, including the leader of the Official Unionist Party, Mr James Molyneaux and Mr Ken Maginnis, the party's security spokesman, met senior officers of the RUC yesterday. Mr Maginnis has said selective internment should be used on both sides of the border to combat a growing terrorist campaign.

Main entrance to H Block at the Maze prison during internment

Mr Maginnis, MP for the border constituency of Fermanagh/South Tyrone, also said there should be more effective security action along the border to catch those responsible for the violence. He said that since the start of the present "troubles" 160 out of the 174 murders in his constituency remained unsolved.

The mainly Catholic Social, Democratic and Labour Party has criticised those backing the return of internment. A spokesman said: "It would be the biggest coup for the IRA since the hunger strikes of the early 1980s."

In Dublin politicians showed similar opposition. "It would play into the IRA's hands. It wants to provoke further repression," said one politician.

In the midst of recent violent incidents, Sinn Fein, the political wing of the IRA, hae launched the first Community Festival in West Belfast.

Yesterday Sinn Fein urged the public, particularly young people, to join in events of the festival and to show restraint during the internment anniversary. Mr Gerry Adams, tha head of Sinn Fein, described the event as a celebration of the resilience of the people of West Belfast. He said the authorities had tried to "criminalise, demoralise and marginalise an entire community" but said people should try not to be provoked.

Flexibility in working practices 'widespread'

By Philip Bassett, Labour Editor

FLEXIBLE work practices in British industry are more widespread than previously suggested, says a report out today from the Government's principal industrial relations agency.

The report from the Advisory, Conciliation and Arbitration Service (Acas) is based on a survey of 584 employers, most of them in the private sector.

Other studies suggesting that more flexible working practices heve been confined to the margins of British industry are wrong, says the report.

Not only does the evidence suggest otherwise, Acas says, but results of its own study may even underestimate the prevalence of flexibility, since it was conducted a year ago.

The study's principal findings include:

- A quarter of employers have in the past three years succeeded in introducing flexibility to break down skill or craft demarcations.
- About two-thirde of employers use both part-time and temporary workers.
- Twenty-five per cent of employers had introduced reward-based pay schemes in the three years to June last year.
- Trade unions were for the most part no barrier to introducing greater flexibility.

Glass groups accused of price fixing

By Andrew Taylor, Construction Correspondent

THE OFFICE of Fair Trading moved yesterday to break up a series of price fixing cartels involving at least 60 glass manufacturers, processors and distributors.

Other price fixing agreements involving 30 glass distributors were still being investigated.

A first batch of 12 national agreements naming 60 companies as parties to price fixing were yesterday placed by the OFT on the Restrictive Trade Practices Register.

The office said the agreements had been uncovered after seven companies were served with legal notices. Companies were compelled to disclose details of restrictive agreements with which they had been involved, and which had not been notified.

The seven companies were: Heywood Williams Glass, Solaglas, Pearce and Cutler Group, Plyglass, Pilkington, Thermovitrine (Midlands) and Birmingham Guild.

Sir Gordon Borrie, Director General of Fair Trading, is considering what further action might he taken against the companies in the Restrictive Practices Court.

The court, part of the High Court, would have no power to fine the companies until it had issued an order prohibiting the restrictive agreements as being against the public interest. It could then issue fines for contempt of court if its orders were broken.

Eight of the 12 agreements involved flat glass commonly used for building. The others involved silvered glass used for mirrors and tempered and laminated glass which was also used in the automotive industry. Another agreement involving double glazing had ceased to operate in 1982, said the OFT.

Under the agreements, companies had exchanged information and agreed to increase prices by similar amounts and at similar times. They were thought to have operated up until June this year.

Sir Gordon said the investigations had begun after the OFT had been tipped off by someone in the building industry who claimed he was "tired of being ripped off."

The OFT had also uncovered a web of regional agreements among about 30 glass distributors to fix the price of clear float glass, most often used for windows.

The investigations were the latest in a series of restrictive agreements in the construction industry which seemed to be prone to collusive behaviour.

"In recent years my office has uncovered large numbers of price fixing and tendering arrangements among suppliers of ready-mixed concrete and road surfacing material," said Sir Gordon.

Prospectus issued for railway sale

By Ralph Atkins

WHAT DOES a top City of London merchant bank do in the dog days of August when corporate business is flat and the Pimms is fizzy? It sells romantic railways.

Lazard Brothers yesterday released its brochure for the sale of the 71-mile Settle to Carlisle line in north west England – scene of a long-running battle between railway enthusiasts and state-owned British Rail.

The 42 glossy pages include colour pictures of grand Victorian viaducts across some of England's most spectacular countryside.

A decision to sell the line – which has 10 stations open to passengers, 21 viaducts and 14 tunnels – was announced by the Government in May. BR says running costs are far greater than revenues, but it hopes that a private operator can expolt the line's tourist potential.

Initial proposals from prospective purchasers of the line will be sought by the end of September.

A would-be buyer will have to haggle over operating conditions. Similarly, asset strippers should be discouraged. Buyers will be expected to keep the line running and to give assurances that, in the event of operations being discontinued, facilities will be left in place for another operator.

New hands get to grips with the Potteries

Alice Rawsthorn looks at efforts to reshape the china industry

THE GOLDEN era of the Staffordshire pottery industry was in the early 1900s when, as Arnold Bennett wrote in his novel The Old Wives' Tale: "All the everyday crockery used in the kingdom is made in the Five Towns."

The so-called "Five Towns" of Staffordshire – Stoke, Burslem, Longton, Fenton and Hanley – still make almost all of the crockery used in the UK. But the pottery industry is emerging from a period of restructuring, in which a new generation of owners has been grappling with its problems.

In the past two years more than half of the £419m industry has changed hands. First Waterford, the Irish crystal company now hounded by bid rumours, pounced on Wedgwood. Then Coloroll, the ambitione home products group, gobbled up a series of mass market manufacturers. A month ago, Derby International, the owner of Raleigh Bicycles, bought Royal Worcester Spode.

These companies have entered an industry burdened by crippling costs, over-capacity and unhealthily high stocks. The coming years will prove whether the new owners have been more successful than the old at getting to grips with its problems.

The industry is polarised between fine china, dominated by Royal Doulton, part of Pearson (which owns the Financial Times), Wedgwood and Royal Worcester, and earthenware, the province of Coloroll, Churchills, John Tams and the Johnson Brothers division of Wedgwood.

The success, or otherwise, of every pottery company is determined by one overriding concern: capacity utilisation. The industry's cost structure – 50 per cent labour, 25 per cent raw materials and 10 per cent energy – is so inflexible that manufacturers must operate at full capacity.

It is this need to maximise capacity that has mede the industry so vulnerable in the past and that has dictated the pattern of the restructuring in the last year or so.

The capacity problem is most acute among among the fine china companies because of their dependence on overseas sales. These companies export two-thirds of their output – with half of all exports going to North America – and are thus very vulnerable to currency movements.

This year the strength of sterling has posed problems. The North American market has weakened; ae has the domestic sphere, because of the dearth of US tourists, who usually snap up fine china as souvenirs. So far, according to the British Ceramic Manufacturers Confederation, the impact has not been too severe.

But the ability of the companies to respond to changes in demand is inhibited by capacity constraints. Wedgwood decided not to increase prices to the US this year – in spite of the dollar's decline – rather than risk a fall in output.

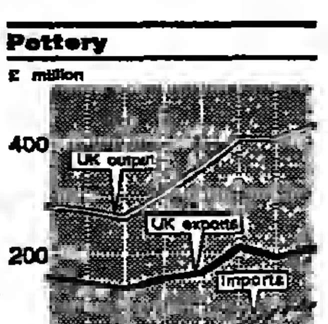
For the same reason the fine china companies have plunged into price discounting in the domestic market. Royal Doulton, which saw profits fall in both 1986 and 1987, claims to be "relaxed" about discounting. But Wedgwood is trying to overcome the problem by restricting its supplies of "saleware."

The restructuring of Wedgwood since the Waterford acquisition has been intended to mitigate capacity constraints by making its plants run more efficiently. Wedgwood has closed one factory, with the loss of 800 jobs, and rationalised its product range so that a smaller number of shapes and sizes will flow more smoothly through the remaining factories. It is also extending the new "dust pressing", or moulding, techniques pioneered in fine china to earthenware.

Earthenware also suffers from capacity constraints. The need to fill factories has trapped the manufacturers in an intensely competitive and price sensitive market. Yet earthenware – which is less exposed to exports and has enjoyed buoyant demand in recent years – is less volatile than fine china and there is more scope for economies of scale.

Pottery

£ million



Source: British Ceramic Manufacturers Confederation

John Tams, the mug manufacturer, has emerged as the most profitable of all the pottery companies by churning out as many mugs as possible, as quickly as it can. Biltons, the most successful of Coloroll's acquisitions, also benefits from speedy, standardised production at its dinnerware factory.

Coloroll has restored both Denby stoneware and the Staffordshire Potteries' dinnerware plant to profit by applying the lessons learnt at Biltons. Like Wedgwood, it has rationalised ranges and invested in new equipment to improve productivity.

Coloroll intends to exploit its marketing initiatives – e £2.5m warehouse to offer retail delivery from stock and the development of the giant D-I-Y groups as e new distribution base – to win market share from other manufacturers.

Similarly John Tams plans to use the proceeds of its recent flotation to increase its mug capacity and to expand further, by acquisition, within earthenware.

One potential problem for any manufacturer expanding in earthenware, is that it must ensure that it can sell all the new capacity. Coloroll plans to overcome this by selling its new output overseas, until it has generated enough demand to switch to the more profitable home market.

Otherwise it would run the risk of its factories operating below capacity. And, for all the range rationalisation and marketing initietives of the last year or so, capacity constraints still determine the fortunes of the Staffordshire pottery companies.

Distribution

Operating in a far from global market

Charles Batchelor suggests ways of doing business within the EC

For Hunkydory Designs, a Buckinghamshire-based company marketing a range of greetings cards and giftware, getting its products into mainland Europe was a haphazard affair.

It sold well in Italy, where its agent was an American married to an Italian, so there was no language problem, and it also had good markets in Portugal and Spain. But in West Germany, while Hunkydory had a good distributor for its decorative tinware, this was not the case for other parts of its range.

France, too, was a problem because it lacked the giftshops common in Britain which carry its complete range. "We were not scratching the surface," says David Boultwood, Hunkydory's warehouse and production manager. "The French were taking no more than what a couple of shops would buy in Britain."

Hunkydory, part of the William Collins publishing group, is not alone in having difficulties establishing an efficient distribution network for its products throughout the continent of Europe.

For many small companies distribution is the major obstacle to be overcome in selling within the European community. Even the creation of a single European market in 1992 will not remove the idiosyncracies of the different national distribution networks.

"The problems vary from market to market," notes Clive Godfrey, founder and managing director of the International Distributor Centre, which provides advice and help with overseas marketing and distribution.

"There are different distribution patterns in Europe. In Greece and Italy, for example, there are no large DIY stores or supermarkets. You will have to go through wholesalers, probably operating on a regional basis, or establish a sales force to call on many different independent outlets."

The impact on price of going through several layers of local distributors can be marked. In the UK, for example, the price of a product may be boosted from £1 to £3 or £4 by the time it has gone through the distribution chain. In some countries on the Continent the final price might be £9.

Promotional gimmicks such as providing a calculator or a case of wine to a stockist or a wholesaler, which are common in Britain and France, are illegal, for example, in Denmark, Godfrey says.

The small company can avoid the complications of finding an overseas agent by selling to a UK-based export house, which will either buy the goods outright for its overseas customers or act for the UK supplier as its export department or agent.

Using an export house relieves the exporter of much of the routine work and minimises the financial risk since accounts are settled in the UK. But the disadvantage of doing business this way is that the exporter has no direct contact with the buyer and cannot influence his decisions or establish much of an image in the overseas market.

The only way of building up significant sales in an overseas market is to appoint a local agent or distributor. The agent earns a commission on any sales he makes while the distributor operates on his own account, buying the goods from the exporter and arranging for storage and transport.

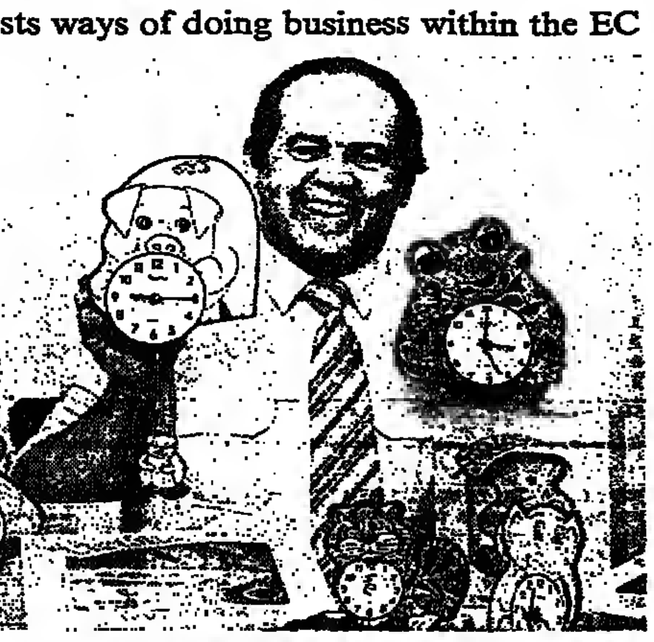
An advantage of selling to a distributor is that he bears the cost of carrying the stock in his warehouse. For a small exporter selling in a number of overseas markets this can represent a considerable saving.

Finding a distributor is the first hurdle facing the would-be exporter.

The British Overseas Trade Board (BOTB) runs what it calls its Export Representative Service which uses the economic department of the embassy in the relevant country to track down a distributor. The numbers of companies to use this service has fallen since charges were increased sharply (to £450 for a contact in Germany and £300 in France, Italy and Spain) but large rebates are available if the exporter follows up the recommendation.

The Department of Trade and Industry (DTI) arranges occasional promotions comprising a one-day seminar in London followed up by a presentation to distributors in the target country.

It is crucial for the exporter to vet distributors if he is to be sure of finding the most appropriate outlet for his products. The BOTB advises exporters to visit distributors on their home territory. But air travel in Europe is expensive and many small businesses are forced to take short cuts.



John Ramage: perusing potential distributors' cvs

Tickles Clocks, a three-year-old company making novelty clocks which is based near Lincoln, cannot afford to visit the 30 to 40 distributors which were impressed by its display at the Paris giftware presentation and is attempting to select th best by means of a questionnaire.

"We started to get an idea whether they were reaching the right market from the cvs and the glossy folders they sent us," says John Ramage, Tickles's managing director.

The sudden rush of interest from the French market has meant Ramage had to devise letters and brochures with the help of a local French teacher, instal a fax machine, and contact local transport companies to work out the cost of delivering his clocks to Paris. He expects turnover to triple this year from last year's £38,000.

Priority in vetting distributors must be to look at their books, says Carlton Brown, who runs an industrial adhesives business based near Tamworth, Staffs, with turnover of £200,000. "Have they got enough cash in the bank to pay you?" he asks, acknowledging also that accounts can be made to show what the company wants you to see.

Once a distributor has been found the exporter must make sure close contact is maintained, the BOTB urges. "We make frequent visits to our distributors," says John Parsons, managing director of Time and Data Systems, an electronic security company which exports 70 per cent of its £3m turnover.

"If the distributor feels he is being supported with literature, training and information you get a good response. You can monitor his performance and get early warning about things going amiss and what the competition is doing."

While contracts will normally give a distributor exclusive rights to sell a product in a particular country or region, exporters can spread their risk and obtain better market penetration by splitting their product range between several different companies.

Tickles has signed up a kitchen-ware distributor with access to 800 outlets to handle its kitchen clock designs in France but is looking for different distributors to handle its three other ranges of pendulum clocks, miniature clocks and personalised clocks for business promotions.

Time and Data Systems also uses different networks to distribute its two main ranges. Its access control equipment is sold through a combination of large security groups and wholesalers dealing with one- or two-man installers while its computer fraud protection devices are sold through computer manufacturers and system houses. In France, Spain and the Netherlands large security companies predominate; in Germany the business is regionalised; while in Italy small companies are the key.

Signing up a foreign distributor is, of course, no guarantee that sales will be made. Agreements should lay down minimum sales targets for the distributor as well as clear descriptions of the products and territory covered.

Any agreement must be very carefully worded, the BOTB advises. In many European countries agents and distributors are protected by law and cannot be easily dismissed.

"If you try to cancel an arrangement because nothing has come from it you could face a quite frightening bill for compensation," warns Derek Langham, director-general of the Institute of Export. "The distributor may argue that he has spent money developing the market and that the failure to generate sales was due to the failure of your product."

If the dispute goes to law the local court in most European countries will side with the distributor, says Langham. One dispute over a contract involving just £100,000 of sales resulted in a compensation claim for £30,000. The European Commission has been studying this issue and, the Institute hopes, will soon produce a directive regulating agency agreements and relating compensation claims to the amount of turnover involved.

Europe is a long way from becoming a single market and even after 1992 strong national differences will persist. Despite the problems, getting distribution right can open up sizeable new markets. Tickles Clocks expects to treble turnover this year from its move into France while Hunkydory, which currently exports 20 per cent of its £6m turnover, believes it can increase foreign sales to 50 per cent.

Contact: BOTB Exports to Europe Branch, 1 Victoria Street, London SW1H 0ET, Tel 01-215 5336; Institute of Export, 64 Clifton Street, London EC2A 4HB, Tel 01-247 9812; British Exporters Association, 16 Dartmouth Street, London SW1H 9BL, Tel 01-222 5419.
Useful reading: Selling in the Single Market: A guide for Exporters and The Single Market from DTI/BOTB, 1 Victoria Street, London SW1H 0ET.

Venture capital constraint

Charles Batchelor on the effects of a shortage of managers

The main constraint on the further growth of Britain's £5.4bn venture capital industry is a shortage of high calibre managers who could help build the businesses in which venture capital firms are investing.

This is the conclusion of a survey of the country's 107 firms employing 597 investment executives carried out by UK Venture Capital Journal*. These organisations account for £4bn of Britain's venture capital pool with 3i, the largest single venture capital organisation, accounting for the rest. 3i is not included in the journal's data.

The 14 largest venture firms employ 200 executives between them or 34 per cent of the total. At the other end of the scale 17 firms have only one or two executives.

The venture capital industry is frequently criticised for employing too many chartered accountants in their late 20s with no experience of industry. This criticism may still apply but the growing maturity of the industry means that it is creating its own reservoir of expertise. An analysis of 307 of the executives covered by the survey showed that 19 per cent had at least 10 years' experience in the venture capital industry while 33 per cent had between five and nine years.

Despite frequent suggestions that the smaller venture capital firms would be forced to merge with larger organisations, the survey reveals that 36 firms had less than £10m under management.

These firms account for only 4 per cent of funds under management but many fulfil a key role by focusing either on a particular region or on very early stage investments, the survey says.

The survey does confirm the strong bias of the industry to the south-east of England. A total of 44 firms were based in the City of London, 25 in the West End of London and a further 11 within 100 miles of the capital.

An analysis of firms by investment focus showed 29 were broadly-based, the same number specialised in technology and early-stage investment and 27 were involved in later-stage and buy-out fund. A further 15 concentrated on a particular region while seven were BES funds.

The British venture capital industry is now second in size to that in the US where 437 venture capital firms employ 2,373 executives to manage $16.1bn. The average amount of capital under management in the two countries is very similar — £5.8m in the US against £6.7m in the UK.

**Published bi-monthly by Venture Economics, 14 Barley Mow Passage, London W4 4PH. Tel 01-994 8009. Annual subscription £375.*

In brief...

■ A managed workshop with space for up to 30 businesses has been set up in Bridgwater, Somerset. The new centre, called the Cellophane Small Business Centre, comprises 11,000 square feet of offices and workshops and has a staffed reception area with office services.

The centre has the backing of the Courtaulds textile group, local councils and Barclays Bank.
Contact Nick Blake, centre manager, Wylds Road, Bridgwater. Tel 0278 452978.

■ A number of support groups for women in business have sprung up in recent years. The third national Women mean Business conference and exhibition aims to provide a forum to discuss problems and an opportunity to show the achievements of individual businesswomen.

The one-day conference will take place on Friday, September 9 at Sachas Hotel, Tibb Street, Manchester.
Contact Lynne Smith, Women in Enterprise, 26 Bond Street, Wakefield, WF1 2QP. Tel 0924 361789.

■ The Enterprise Allowance Scheme, which helps unemployed people start their own business by providing an allowance of £40 a week for a year has helped more than 350,000 people since it was launched five years ago, the Department of Employment has announced.

Sixty-five per cent of those who complete a full year on the scheme are still in business three years later. For every 100 businesses still trading at the three year stage, 114 jobs have been created.

■ Women are starting to play a bigger role in the start-up of new businesses but are more likely than their male counterparts to lack experience in their chosen field of business.

A 120-page Women in Enterprise Directory has been published with the sponsorship of National Westminster Bank. The directory, which costs £12, contains information about a wide range of women's businesses and lists addresses of support agencies.

One in three businesses starting up is run by women with the most popular areas proving to be retailing (40 per cent), catering and leisure (24 per cent), property, finance and professional services (13 per cent) and construction, transport and production (6 per cent).
The directory is available from Women in Enterprise, 26 Bond Street, Wakefield, WF1 2QP. Tel 0924 361789.

■ A three-day exhibition and conference on the subject of venture capital is planned for the National Exhibition Centre in Birmingham on April 13-15 1989.

Venture 89, which is being backed by the British Venture Capital Association, will bring together organisations offering venture capital and other forms of assistance to expanding businesses.
Contact Event Ltd, Crays Pond House, Crays Pond, Reading, Berkshire, RG8 7QC. Tel 0491 681010.

■ A free business advice service has been launched for small businesses in London's Docklands and the surrounding boroughs. The Docklands Business Initiative (DBI) is intended to provide a one-stop point for advice on finding finance, preparing business plans and locating and relocating premises.

Each business making an enquiry will be offered a free one-hour interview to establish what further help might be needed. The initiative has the backing of Littlejohn Frazer, an accountancy firm; 3i, the venture capital group; Barclays Bank; London Docklands Development Corporation; and the London Enterprise Agency.
Contact DBI on 01-538 4172 or Littlejohn Frazer on 01-987 5030.

Businesses For Sale

HOSPITAL JOINT SERVICES BOARD

Holylands, Rathfarnham, Dublin 14.

The Hospital Joint Services Board provides linen laundry services and sterile theatre supplies to hospitals in Dublin and throughout Ireland.

The Board is considering the sale of its business as a going concern or the establishment of a joint venture with a suitable party in a related field of activity. Applications, in respect of named principals only and accompanied by adequate background information, should be sent to:

Ronan Deignan,
ICC Corporate Finance Limited,
31 Harcourt Street,
Dublin 2. Ireland.
Telephone: (01) 720055

for receipt not later than 3.00 p.m. on 19th August, 1988.

Parties who satisfy ICC Corporate Finance Limited of their capability and resources will later receive a confidential memorandum on the business and will then be asked to submit detailed proposals.

ICC CORPORATE FINANCE LIMITED

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Please reply to Box H3719, Financial Times, 10 Cannon Street, London EC4P 4BY

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WHITTINGTON ENGINEERING COMPANY LIMITED

The Joint Administrators offer for sale the assets, business and goodwill of this long established steel fabricator specialising in the production of conveyor systems and rolling stock.

- Projected Turnover to 31.8.88 of £1.3m. and a workforce of 50.
- Established 75 years with UK and International customer base.
- Trading names include **Numec** (Conveyors) and **Derbyshire Carriage & Wagon** (Rolling Stock).
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0532-442066

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- Turnover in excess of £750,000 per annum with substantial forward order book.
- Long established range of children's products, marketed under the "Brierley" trade name.
- Access to skilled workforce including in-house design team.

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Arthur Andersen & Co
Bank House,
9 Charlotte Street,
Manchester M1 4EU.
Tel No. 061-200 0212
Fax No. 061-228 1421
Telex. 668898

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STOCKPORT

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For further details please contact:
Tony Richmond or Martin Shaw

KPMG Peat Marwick McLintock
City Square House, 7 Wellington St., Leeds LS1 4DW
Telephone: (0532) 450331 Fax: (0532) 424377
(Authorised by the Institute of Chartered Accountants in England & Wales to carry on investment business.)

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COAL MINE

Enquiries are invited for the purchase of a privately owned underground coal mine in Lancashire employing 44 persons and producing about 25,000 tonnes p.a. (£1 mill turnover) with an estimated 0.5 mill tonnes of recoverable reserves. The sale also includes interests in additional underground and opencast mining prospects which are ripe for development, and which are estimated to contain approx. 1 mill tonnes of Recoverable reserves.

Enquiries to Wardell Armstrong, Consulting Mining Engineers, Lancaster Building, High Street, Newcastle, Staffs. Tel: 0782-612626. Tlx 36607

COLOUR PRINTING COMPANY

Long established Northern England colour printers would be interested in discussions with public company for outright sale or entrepreneurial private company wishing to seek floatation on USM or similar. Net assets of £900k and net profits circa £300k.

Principals should contact Box H3723, Financial Times, 10 Cannon Street, London EC4P 4BY

Businesses Wanted

Building or landscape product business required

Manufacturer of quality building and landscape products wishes to purchase for cash 100% shareholding. Particularly companies manufacturing timber or concrete products in UK South of M62.

Companies up to £5 million turnover considered.

Principals should write in confidence to: Andrew Waters, Grant Thornton, Grant Thornton House, Melton Street, London NW1 2EP. Telephone (01) 383 5100; Telex 28984; Fax (01) 383 4715.

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FT LAW REPORTS

Documents belong to debenture-holders

GOMBA HOLDINGS LTD AND OTHERS v MINORIES FINANCE LTD AND OTHERS
Court of Appeal
(Lord Justice Fox, Lord Justice Stocker and Lord Justice Butler-Sloss):
July 29 1988

A COMPANY is not entitled to delivery up of documents relating to its affairs which came into being during its receivership, if they belong to debenture-holders in that they were created, not in pursuance of the receivers' duty to manage the company, but in pursuance of their duty to advise and report to the debenture-holders.

The Court of Appeal so held when dismissing an appeal by the plaintiffs, Gomba Holdings Ltd and others, from Mr Justice Hoffmann's decision (*[1986] 2 FTLR 126*) that they were not entitled to delivery up of certain documents by Mr A.M. Homan and Mr C.G. Bird, Gomba receivers appointed by debenture-holder, Minories Finance Ltd.

LORD JUSTICE FOX said that in 1985 Mr Homan and Mr Bird, accountants in the firm of Price Waterhouse, were appointed by debenture-holders, Minories Finance, to be receivers and managers of the Gomba group of companies including Gomba Holdings.

The receiverships were discharged at the end of 1986 or early 1987.

On April 13 1987 Mr Justice Hoffmann ordered the receivers to deliver up all documents in their possession belonging to Gomba Holdings and other companies in the group.

They delivered up 268 files. They declined to deliver up various categories of documents relating to the companies' affairs which came into existence during the receivership, on the ground that they were not the companies' property.

Gomba asserted ownership of those documents. Mr Justice Hoffmann dismissed the motion. Gomba now appealed.

The basis of Gomba's claim to ownership was that the receivers were, during the receivership, the agents of the companies and were paid by the companies. It was said that as between principal and agent, all documents concerning the principal's affairs prepared or received by the agent, belonged to the principal.

In general that was correct, but it could not be applied mechanically to the somewhat complex position of a receivership.

The agency of a receiver was not an ordinary agency. It was primarily a device to protect the mortgagee or debenture holder.

The relationship set up by the debenture and appointment of a receiver was tripartite and involved the mortgagor, the receiver and the debenture-holder.

The receiver was appointed by the debenture-holder on the happening of specified events. He became the mortgagor's agent whether the mortgagor liked it or not. And as a matter of contract between the mortgagor and the debenture-holder, the mortgagor would have to pay the receiver's fees. The mortgagor could not dismiss the receiver since that power was reserved to the debenture-holder, nor could he instruct the receiver how to act.

All that was far removed from the ordinary principal and agent situation. The receiver performed duties on behalf of the debenture-holder as well as the mortgagor.

Ownership of documents in the tripartite situation were brought into heing in discharge of the receiver's duties to the mortgagor, or the debenture-holder, or neither. The fact that a document related to the mortgagor's affairs could not be determinative.

It was said that the judge's approach was unworkable because the receivers owed a duty both to Minories and the companies.

No doubt they did owe duties to both, but they were quite separate duties.

The receivers had a duty to manage the affairs of the companies. All documents created or received in pursuance of that duty must be the property of the companies.

On the other hand, they had to advise and inform the debenture-holders regarding the conduct of the receivership. Documents created for that purpose, while they related to the companies, could not be the property of the companies.

They were not brought into being for the purpose of the companies' business or affairs, and the fact that they were created by or on behalf of persons who were technically the agents of the companies could not be sufficient to create ownership in the companies.

Also, there were documents prepared by or for the receivers, not in pursuance of any duty to prepare them, but simply to enable them to perform their professional duties.

Such papers were the property of the receivers.

The documents in dispute were:

A (i) Advice to Minories Finance by Price Waterhouse before appointment of the receivers.

There was no basis for claim to ownership by the companies of documents created for the purpose of giving advice to Minories.

(ii) Formal reports on the current situation in the receivership, to Minories by the receivers.

All those were to a greater or lesser extent concerned with the affairs of the companies. But that did not advance the companies' claims to ownership. All documents in this category were prepared in discharge of the receivers' duties to the debenture-holders and were not the property of the companies.

The receivers were remunerated by the companies, but that was no indication of ownership in a case where professional advisers owed duties to two separate persons, and were paid by one in pursuance of a contract with the other.

(iii) Memoranda to the file written by Minories personnel and copied to the receivers.

The judge rightly concluded that those were documents create by Minories for its own purposes and that the receivers were merely sent copies as advisers to Minories. They were not sent them as agents for the companies. The documents were the property of Minories.

(iv) Documents relating to advice given by Price Waterhouse to Minories.

Those were documents produced by professional advisers to Minories for Minories's own purposes. They did not belong to the companies.

(v) Documentation belonging to the receivers in their personal capacity including legal advice, press releases and Price Waterhouse partnership documents.

Production of those documents was not now being sought.

(vi) Documentation relating to advice to Minories in connection with Gomba's attempts to reduce the security.

Documents prepared for the purpose of giving advice to Minories relating to its own property could not be the property of the companies. They were prepared solely by reference to a relationship between the receivers and Minories in which the receivers were acting as agents or advisers to Minories.

(vii) Copy court documentation (pleadings affidavits etc) relating to High Court actions by Gomba against the receivers and Minories.

Those were prepared not by the receivers as receivers, but simply as agents for Minories. The companies accordingly had no property in them.

(viii) Notes with an exclusively internal circulation prepared by the receivers relating to the receivership, and other working papers and drafts.

On the evidence it was clear that the reference to internal circulation was intended to indicate documents prepared for the receivers for their own purposes, to enable them to discharge their professional obligations to Minories and the companies. On that basis they must belong to the receivers.

The list A documents were in the possession of the receivers. There was also list B which were in the possession of the receiver's solicitors.

List B included working papers and working drafts – notes with an exclusively internal circulation.

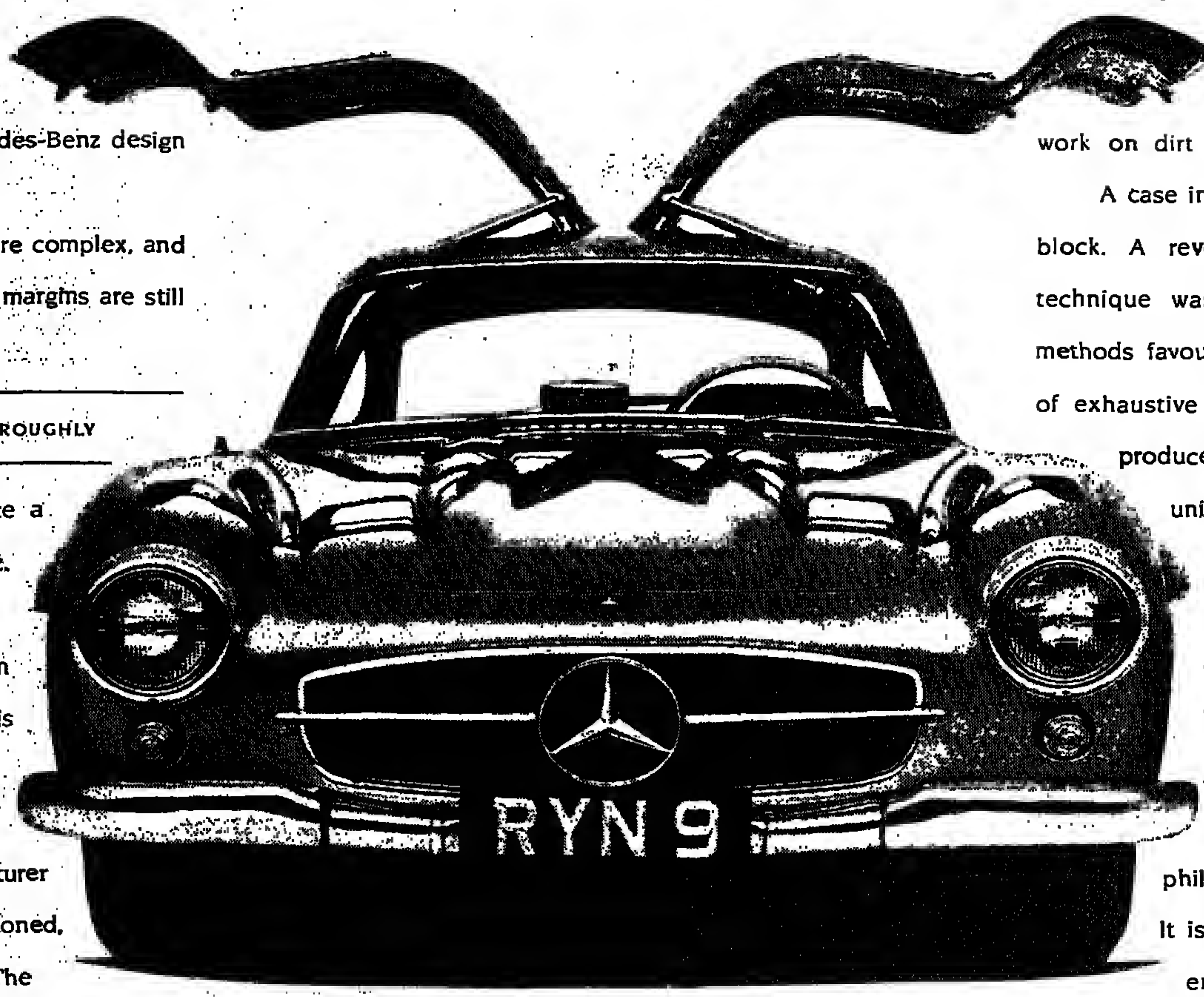
Those were not the property of the companies. They belonged to the solicitors. Also attendance notes made by the solicitors for their own assistance belonged to them.

The result was that Mr Justice Hoffmann's decision was correct and the appeal failed.

For Gomba: Terence Cullen QC and Anthony Trace (Holman Fenwick & Willan)
For Minories and the receivers: Robin Potts QC and Richard Adkins (Freshfields)

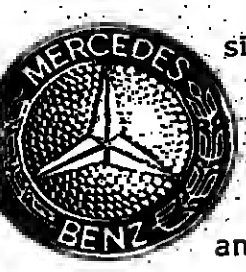
Rachel Davies
Barrister

Mercedes-Benz don't build cars the way they used to



They Build Them Better

Look back as far as you care to. Back to the very first motor car, and you will find the name 'Benz' stamped on it. It's a grip on motoring innovation the company has never relaxed. In the '50's, Mercedes-Benz introduced the 300SL, shown here, the world's first fuel-injected car. Thirty-three years ago. And virtually every example of this famous Gullwing car is still in running order. The reason is as simple as the cars are complex. Its radical engine was married to just as radical a chassis, and it became an instant classic. At its unveiling it merely reconfirmed the margin of Mercedes-Benz design and engineering superiority.



IN THE FOREFRONT OF EXCELLENCE.

Today, the cars are even more complex, and those design and quality control margins are still there – and just as wide as ever.

They Check Them More Thoroughly

It takes 7 years to produce a quality controller at Mercedes-Benz. Seven years, minimum, of assembly line experience before promotion to the Quality Assurance elite is considered. And there are 5310 inspectors, more for each vehicle produced than any other manufacturer permits. Their authority is unquestioned, their demands uncompromising. The production line moves no more quickly than the quality control inspectors allow. No matter how minor the fault, the entire production line will be halted if it is not rectified. It is the toughest production regime there is.

They Rely On Craftsmen

You could be excused for thinking, these days, that robotics has taken over the industry. Not so at Mercedes-Benz where the skills and seasoned discrimination of 50,000 craftsmen complement mechanical precision. Robots work more quickly and to a higher degree of accuracy than is humanly possible. But that is only half the story. There is no substitute for the eye of the craftsman. Choosing the right grain of wood; selecting and matching the fine leather hides; ensuring every important body weld is smooth enough for the paint shop: none of these tasks can be entrusted to a mere robot.

TOMORROW'S CLASSIC?

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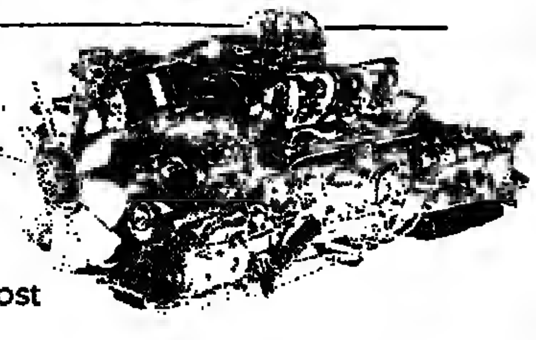

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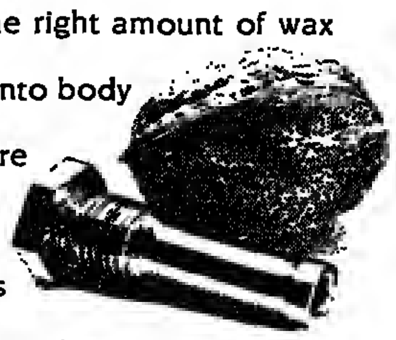

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Engineered Like No Other Car In The World.

TECHNOLOGY

Tourists keep in touch with high tech

GLASGOW Garden Festival has attracted more than 2.5m people in its first three months, making it the UK's biggest tourist attraction.

Providing information for up to 50,000 visitors a day on a 110-acre site is not a simple task. But an easy-to-use interactive computer system, supplied by IBM, appears to have solved the problem.

The system is the first to be networked by IBM using both its new range of PS/2 computers and touch sensitive screens which can be accessed by the public.

The computers are installed in 22 booths across the Glasgow site. Each machine is linked to a database by fibre optic cable. The database contains text, digitised photographs and graphics, which can be regularly updated.

Visitors choose different options by touching parts of the screens, which have more than 1m touch points.

The software for the garden festival has been designed by Care Software Technology, the Reading-based company which specialises in touch screen-based interactive video systems.

Care Software points out that touch screen technology is a useful and unsophisticated interface for people with little experience of keyboards or of using an electronic mouse to move around a screen.

"The computers have proved very popular," says Devid Reed, the festival's public relations manager. "They show geographical location, events, paths, restaurants and the nearest toilets. There is even a broadcast facility for lost children."

Chris Bowyer, managing director of Care Software, believes that touch screen interactive systems will have important applications in banking and retailing. They could also be used for training, once they have been linked to videodisc technology to produce moving pictures. Complicated procedures could be explained with the minimum use of expensive personnel.

"The power of these machines is increasing and their price is falling," says Bowyer.

Paul Abrahams

Let the machine take the strain

Della Bradshaw reports on an investment that saves BR time and money

THE SIMPLEST ideas are usually the best. British Rail (BR) is discovering the truth of this saying with a new kind of machine used in laying track.

The equipment not only saves the state-owned company time and money, it also minimises the inconvenience to passengers.

BR renews its track about every 15 years. This involves cleaning or replacing the ballast – the banks of stones under the wooden sleepers which keep the rails in place. Before a section of track is brought back into full service, the ballast has to be tightly packed down under the sleepers to ensure that the track does not move. A fast train travelling over loose ballast causes a bumpy ride and quickly wears out the line.

Previously when BR renewed sections of track, it had to maintain speed restrictions for several weeks over the repaired parts of the line. As the trains travelled along slowly, they packed down the ballast.

But this meant trains which normally travelled at up to 125 mph had to be restricted to as little as 20 mph, and the speeds allowed could only increase gradually until the ballast was compact.

BR has invested in a piece of machinery called a dynamic track stabiliser, which packs down the ballast before the section of track is brought back into service. The machine, from Plassar Railway Machinery, of west London, grips the new track once it is in place and shakes it from side to side, imitating the effect of a train travelling over the network.

As the 60-ton machine vibrates, it delivers an effect which is equivalent to 100,000 tons of rail traffic. It achieves in hours what it took the trains weeks to do and virtually eliminates the need for speed restrictions over the new track.

BR has spent £4.5m on the nine dynamic track stabilisers, but it believes the investment will bring considerable savings. John Prideaux, head of BR's Inter-City division, says that because the machine crams three or four weeks' work into a weekend, the company will save £19m a year in labour costs.

There will also be savings in running costs. On the journey from London to Edinburgh, for example, BR estimates it will save more than £500,000 a year. Part of that amount is achieved by cutting out £1,000 a day in wear and tear on brakes as the trains slow down to negotiate sections of new track. Every time a train reduces its speed from 125 mph to 20 mph, it costs £11, according to BR estimates.

In addition, it will cut the expense of £213,000 a year in additional fuel consumed as the trains accelerate out of restricted areas.

From the passenger's point of view, it means fewer delays as the dynamic track stabilisers help BR's trains to get there on time.

Turning ideas into action

David Fishlock talks to the chief executive of a new think tank

Robert Whelan

What Britain needs is fewer ideas like the Hotol spacecraft and more like medical scanners and life-saving drugs. That is the sort of thinking that motivates the Centre for the Exploitation of Science and Technology (Cest).

This new think tank has been set up by a "club" of 20 big research-based British companies. Its chief executive is Robert Whelan and the first permanent staff joined him in Manchester this month.

Already, says Whelan, Cest has received "an unbelievable amount of gratuitous advice" on how it should help prepare British industry for the next century.

He has a more realistic view of its impact: "You may never know how much influence Cest has had – it might have just tipped the balance at a board meeting."

Cest does not try to forecast the future. Nor does Whelan encourage those who say "hire me – I'm good at spotting winners." As he sees it, "we're trying to create opportunities."

But, like any club, it will be judged by its members and the yardstick will be the number of opportunities it can persuade those members to invest in. Its strength is that its council comprises senior executives, often the company chairman or managing director.

For the time being, Cest will remain a pretty exclusive club, which numbers such member companies as British Petroleum, British Aerospace, ICI, Pilkington and Rolls-Royce. Sir Francis Tombs, Rolls-Royce's chairman, did much of the recruiting.

Earlier plans to add to the membership have been shelved. The original 20, present by invitation, claim to represent about half the £5.56bn a year of industrial research and development done in Britain.

Whelan says it is not cash that Cest needs at this stage. The £5m gathered in subscriptions, at £250,000 per company, plus £1m from the Government, is ample for the launch. And when an opportunity is spotted, he has direct access to people with funds.

Cest is the brainchild of the Government's former Advisory Committee for Applied Research and Development (Acard), a team of technological advisers which was expanded last year to represent British science more fully. Now called the Advisory Council for Science and Technology (Acost), it is still chaired by Tombs and reports to the Prime Minister.

The thinking behind Cest is that Britain urgently needs a mechanism for spotting and synthesising commercial opportunities. Although the country has a fertile intellectual base, it has a dismal record in exploiting high-yielding ideas of the kind that have brought Japan international success.

Sir Robin Nicholson, a former chief scientific adviser to the Government, who returned to industry as Pilkington's technical director, is chairman of Cest. He recruited Whelan, 45, a fast-talking physicist from PA Technologies, who has an impressive track record of studies similar to those Cest envisages.

His work has included an investigation of the declining domestic technology base of the Netherlands, for the Dutch Government; and how BP could make more of the science base it has built up since the 1920s.

Whelan is at pains to dispel the many misconceptions about Cest. He believes members want him to build a permanent institution that will bring analytical skills to teasing out targets. The job is not to pick winners but to define the process by which winners emerge.

Some scientists have already tried to get Cest to endorse their research applications as appropriate to Britain's future. Whelan stresses that Cest will neither fund science, nor offer a "seal of approval".

It is not even trying to lay down priorities for British science. If that is anyone's job, it is John Fairclough's, the Government's chief scientific adviser (who sits on Cest's council).

Whelan believes the new interdisciplinary research centres (IRCs), in chosen areas of "exploitable science", will have an important role; and Cest will help choose the topics for future IRCs. The IRCs, now being set up at British universities by the Government's research councils, will focus on specific technical opportunities such as high-temperature superconductors.

University dons have objected that the IRCs will drain funds, talent and autonomy from their departments. In reply, Whelan quotes the rocket engineer von Braun: "Basic science is what I do when I don't know what I'm doing."

He sees IRC research as being more structured than the academic variety; and the teams will be imbued with the importance of getting results. "I don't think we teach our researchers enough about the achievement of goals."

Cest's programme divides into three areas of activity:

● The first covers what Whelan calls broad ongoing studies of our changing society. This takes in such factors as new patterns of demography, health and international trade.

Members believe Britain's present breakdown of industrial statistics is sadly outmoded. They say it is going to be far more important to understand the natural commercial relationship between companies, than to adhere to the convention of industrial sectors defined purely for the convenience of gathering data.

● The second area, closely related, concerns manufacturing projects. Manufacturing industry is strongly represented on Cest's council. But manufacture in Britain does not attract a fair share of R and D investment compared, say, with Japan. Cest believes it must build a national portfolio of options for the best ways of manufacturing.

Data at present is scattered and fragmented, says Whelan. Cest wants to be in a position to pinpoint where Britain is weak and where it must invest more effort.

● The third area is scientific opportunities. Cest has to develop its own way of evaluating an industrial notion. It must, for example, have different criteria from those of Acost, which spots emerging technologies.

"Acost may ask: what are we doing about biotechnology? Cest will ask: what are the technologies required for health care in the 21st century?" Biotechnology will not be the only one, says Whelan.

Cest's output will also be different from Acost's. A report will not be enough. If it is to succeed as a permanent institution, it must rouse its members to action. "We're not in the business of creating reference books."

WORTH WATCHING

Edited by Geoffrey Charlish

Test for nuclear pollution

THE BURYING of radioactive waste in deep holes implies close monitoring of nearby ground water, and the equipment used must be able to work at the high temperatures which prevail at such depths.

Scientists at Argonne National Laboratory, in the US, have developed a technique that involves firing laser light of different wavelengths (colours) at two samples of the water, one "clean", the other suspect.

Heat from the laser shot causes each sample to expand, but by different amounts. The expansions produce sound pulses which differ according to the amount of plutonium, neptunium and other substances present.

Because the pollutants are colour sensitive, the system can tell which are present and in what concentration by firing large numbers of pulses of many colours.

The technique, called laser photo-acoustic spectroscopy, can detect concentrations of parts per billion. Its sensitivity improves at higher temperatures, making it suitable for deep holes.

Protecting ships from mines

THORN EMI Electronics, in the UK, has come up with a cheaper way to help protect ships from mines.

The company's naval systems division, at Rugeley, Staffordshire, has cut by half the cost of magnetic assessment of a ship's steel hull. Such assessment, which employs sea-bed magnetic measuring equipment, is needed to adjust the vessel's degaussing equipment.

Degaussing uses electromagnetic coils in the hull which are adjusted so as to neutralise its magnetic field, preventing the activation of a mine. The adjustment depends also on the earth's field and therefore the geographical location.

To date, assessment systems have used up to 18 cable-connected sensors in a permanent installation on the sea bed that can cost £2m. The Thorn EMI equipment, called M880, can be packed into a 20ft freight container, set up in two days and removed equally quickly for use elsewhere.

The ship is sailed between just two sensors which scan the hull and send data to a shore display. A ship with existing degaussing coils can be dealt with in 90 minutes and the system will also indicate what coils should be fitted to unprotected ships.

Bar code calls thieves' bluff

SENELCO, of the UK, which specialises in retail security, has devised a new "dodge" for protecting articles, particularly in chemist's shops, where there are many packs, bottles and boxes.

It is now disguising its active tag, which normally can be seen attached to merchandise, as a bar code label, so that thieves cannot easily tell which items are protected. If the tags are not deactivated, they set off an alarm when taken out.

The bar code disguise means that only 5 per cent of stock need be genuinely tagged, cutting the cost.

Data feedback on the move

VICTOR (UK), a subsidiary of the Swedish company Datronic, is offering a hand-held data collection terminal, which will send information over a vehicle cellular radio system to a company's central computer. The screen and keyboard unit is aimed at field service and mobile sales personnel.

Plugged into a vehicle adaptor, the unit can send and receive data at speeds of up to 2,400 bits/sec. It provides the power of a personal computer, says Victor, but weighs only 650gms.

CONTACTS: Argonne National Laboratory: US, (312) 972 5584. Thorn EMI Electronics: UK, 08894 5151. Senelco: UK, 0753 37722. Victor: UK, 0494 461600.

Pictures of a revolutionary era

William Packer views an exhibition of Russian art at the Villa Favorita in Lugano

Those of us in London may feel that we have seen and heard enough for one summer of the Baron Thyssen-Bornemisza and his Collection, but we should remember that what we have seen, choice as it was, was only a part, and what we heard concerned only the disposition of a part.

The issue of a substantial 10-year loan seems to have been settled in favour of Spain, and so be it. But the home of the Collection remains at the Baron's Villa Favorita in Lugano, where the public display of the permanent collection has long been one of that city's principal and indirectly profitable attractions, augmented by a programme of temporary exhibitions. There is every intention that this pattern should continue, and plans are already advanced for next year's exercise, a study of the German Expressionists in the modern collection.

Over recent summers, a special and fruitful relationship has been established with the art institutions of the Eastern Bloc and with those of Russia in particular. This summer the collaboration is taken farther by a small but intriguing show under a heading of nice ambiguity; for "Revolutionary Art from Soviet Museums, 1910-1930" (daily except Mondays until October 2), is of the work of the painters of the Russian avant garde, who were at their most revolutionary before the Revolution, and were too soon suppressed after it.

Their qualities and achievements have long been recognised in the west and celebrated in all the major public collections of modern art. There are, therefore, no surprises of reputation or character in this show, but only the particular and pleasurable surprises afforded by unfamiliar individual works.

Kandinsky's first exuberant essays in expressionist abstraction in the years around 1910, freely improvising upon and extending the imagery of landscape, are well known, but here we have a group of the largest and most spectacular examples. The remarkable headlong transition by Malevich from a decorative variant Cubism to the radical simplicity of his black canvases around 1913 is familiar too. But how extraordinary it is to find that here at last the Black Cross, the Square and the Circle are tacitly given place of honour by the Russians themselves.

> 'From Stalin's final ascendancy until very recently, these artists were discouraged and neglected'

These paintings, from the State Russian Museum in Leningrad and the Tretyakov Gallery in Moscow, were for the most part accessioned before 1930. A few were evidently shifted from one State holding to another in the intervening years, and only one of the 40, Sterenberg's "Aunt Sacha," is newly acquired. Kandinsky settled in Paris in 1933: the biographical note on Malevich in the catalogue ends with the words: ". . . ca.1930, returned to a figurative kind of painting": Larinov died in 1964, but there is no mention of what he did beyond the 1920s. The fact is that from the time of Stalin's final ascendancy until very recently, these artists were discouraged and neglected, and their work held close as decadent and corrupt.

Marja and Wanjka by Kasimir Malevich

Certain it is that these things are hardly Social Realism in the service of the Revolution and the Communist State, but many of the artists were as radical in their politics as in their art, and fully sympathetic to the cause before their disillusionment. The sad irony is that so much of the earlier work was figurative still, for all the technical preoccupations with Cubism, futurism or expressionism, and in its imagery of machines and factories and peasants in the fields might rather be thought supportive than subversive of any revolutionary ideal. The most direct of these, Boris Grigoriev's "Land of the People," of about 1917, as fresh, vigorous and sophisticated in its expressionism as it is unexceptionable in its picture of a village community and the hard life of the fields, was for me the great treat and surprise of the show.

For once the fact of a Russian exhibition, in what it suggests of shifts and changes in official critical attitudes towards the art of its most creative period in modern times, is more significant than its substance, and as such it can only be welcomed and enjoyed. But to recognise the great art of a still recent past, at its due level within the proper context of the modern movement, is but the first step. Art is organic, not hermetic, and Russian Revolutionary Art is potent still. If *glasnost* is what we all hope it is, we may now look forward to what Russia's artists have for us in this, her second great revolutionary period. Perhaps that too, in time, is something Baron Thyssen may choose to show us.

> 'Many of the artists were as radical in their politics as in their art, before their disillusionment'

As for the business which so exercised us, of what was to become of his collection, some good may come of it yet, if only the lesson is properly read. As with all collections that are more comprehensive and miscellaneous than specialised, it has its covetable treasures, but much more that, it is more interesting and worthy than actually great — not every work by a great master is necessarily a masterpiece, and the fine example of a minor artist is always worth consideration. Such is its character and that, if not quite the size, of any number of our provincial civic collections.

The thought that our present government seriously considered committing some £150m of contingency funds to housing the Thyssen pictures must give us pause. We get, we are told, the governments that we deserve, and it is chastening to recall, generation upon generation, party in and party out, just how philistine ours has been.

In an age of enlightened support of the visual arts in our own great galleries, the addition of the Thyssen collection would hava been a splendid bonus. But our Government is at present also insisting, against all advice, on giving trustees powers to sell off the works they hold in trust. The present policy of funding three years in advance means that within 18 months the Victoria and Albert Museum, for example, will be unable to meet its wages bill. The purchese grants at the disposal of the Tate and the National Gallery stand now at but 10 per cent of what is even merely adequate. Their hearts may be in the right place, but what can Mrs Thatcher and Prince Charles have been thinking of?

Montepulciano Festival

After 13 years of chequered existence, and after several changes of artistic direction, the Montepulciano festival — or "workshop" as it still prefers to define itself — seems to have found its fixed place in the Italian artistic landscape; and for its opening production, a festive and generous audience filled the charming Teatro Poliziano to enjoy, despite the murderous heat, a curious, rare pastiche: Lorenzo Da Ponte's *L'ape musicale*, first given in Vienna as a carnival entertainment in 1789, repeated there two years later, then revived for Trieste in 1792 and — towards the end of Da Ponte's life — produced in New York in 1830, as a vehicle for the author's young niece, who was making her debut.

This "musical bee" is a kind of skeleton libretto, a story of an impresario, a poet, and some singers, which offers an opportunity to insert popular pieces by various composers. In 1789 Da Ponte exploited music by Salieri, Cimarosa, Mozart, Martin y Soler and others. By the time of the New York version (which served as a basis for the Montepulciano production) he could rely heavily on Rossini.

The distinguished Italian Da Ponte scholar, Marina Maymone Siniscalchi, who was very much the Muse of the Montepulciano enterprise, has just brought out (the publisher is a small, but stylish Roman house, Il Ventaglio) a fascinating little volume, *L'Ape Musicale di Lorenzo Da Ponte*, in which she discusses the various versions of the work — all the texts are helpfully reproduced from the original librettos — and their significance not only in Da Ponte's life but also in their cultural context. What might seem to be a delightful footnote in a long and rich career is actually an illuminating shaft of light falling on a chapter of theatrical history.

Appropriately, for Montepulciano the pastiche was reworked. The New York text remained substantially the same, but the musicologist Giovanni Piazza skilfully devised some of the recitatives (with sly references to Mozart and others) and chose some arias that were probably not used in the original productions. Still, we heard, besides the generous anthology of Rossini and Mozart, also less familiar, but welcome excerpts from Zingarelli's *Giulietta e Romeo*, and Mercadante's *Il bravo*.

In 1830 Giulia Da Ponte was not a success in *The Musical Bee*, and her projected operatic career did not materialise. Her 1988 successor, the pert soprano Floriano Sovilla, triumphed. In what virtually amounted to a recital for her — with an extremely taxing programme — she demonstrated not only a reliable musicality and a sweet timbre, but also a helpful wit and a real dramatic talent. Occasionally the music seemed to lie a little low for her, but she surmounted every obstacle with panache.

The tenor Ugo Benelli clowned beyond the call of duty, but sang reasonably. As Don Canario, the tenor Luigi Petroni had little singing to do, but he performed Tamino's aria not only in sweet voice but also in creditable German. Adriano Tomaello and Bruno de Simone, respectively impresario and poet, completed the admirable cast. The chorus — half a dozen young men assembled and trained for the festiva by Donato Martorellia — sang with brio and enviable intonation and also participated nimbly in the action. A London group, the "European Touring Orchestra," probably sounded much better than whatever orchestra Da Ponte managed to put together in New York; these young musicians played their frequent solos with enthusiastic precision and, as ensemble, they managed, despite their scant number, to fill the house. They were sensitively conducted by Vittorio Parisi.

The production was simply, tastefully staged by Favio Sparvoli; the appropriate costumes were designed by Giusy Giustino. An important ingredient of the evening's success was the simple but versatile set, in muted, Morandi colours, designed by Giorgio Ricchelli.

This is the sequicentennial of Da Ponte's death, and the anniversary has already been the occasion of an important, fruitful conference in New York (another will be held in the poet's native Veneto), as well as of informative publications such as Maymone Siniscalchi's book. Da Ponte has long been admired as the librettist of three great Mozart operas, but he was more than that. At last his life and the broad range of his achievement are being properly and profitably studied.

William Weaver

Pelléas et Mélisande

ALBERT HALL

This was the high point of the Prom season so far. The Lyons Opera production of Debussy's *Pelléas et Mélisande* is already justly famous and has been seen at the Edinburgh Festival. But nobody could have predicted that, in a vast auditorium and deprived of almost all its scenery and props, a performance of this intimate and supposedly frail opera could sweep all before it with the passion of its music-making.

The edition of the work that the Lyons team use is, in effect, the Urtext. The grand, *Parsifal*-like interludes that Debussy was persuaded to add to the score during rehearsals have long been recognised as spurious and are omitted (as they were in the 1983 ENO production). But in addition, the conductor John Eliot Gardiner has looked out countless smaller corrections: cuts have been opened out, details in the orchestration amended, and even the seating-plan of the orchestra arranged according to Debussy's express wishes.

For its thorough research work alone the production automatically deserves note. But the great success of the enterprise has been the way that Eliot Gardiner and his Lyons players have made the leap from academic theory to a musical performance, which fuses all their finds into a live and spontaneous whole. This was orchestral playing that constantly teemed with arresting sounds, of wind solos that seemed newly prominent and string phrases shaped with an uncommon intensity of feeling.

Indeed, of all the performance of *Pelléas* I have heard, there has been none more impassioned than this. There is a body of opinion that *Pelléas* is a dull, "moaning minny" of an opera, and one urgently wanted to pull any disbelievers into the hall and convince them once and for all of the error of their ways.

In the cast there was not a weak link. Although it may seem invidious to single out any individual for praise, the articulate and sensitively-sung baritone Pelléas of François Le Roux is a rare enough species to demand a special mention. Each generation seems to be allowed just one French Pelléas and Le Roux is the real thing: a true Debussy interpreter, who works in that twilight zone where speech and singing meet — every word crystal clear as if spoken, but every vocal line makes music.

By his side Diana Montague's Mélisande sounded very much a singer pure and simple, but the tone radiates a wondrously silvery, shining innocence. The Golaud of José Van Dam, outstandingly intelligent and penetrating in his grasp of a most complex role, was no less fine; and there were excellent contributions from Pierre Thau's authoritative Arkel, the warm matriarchal Geneviève of Jocelyne Taillon and Françoise Golfier, a lively little Yniold *en coulottes*.

One could go on listing details of the insights afforded by this performance; but as with a master impressionist canvas, how much better to stand back and enjoy the picture in the fullness of a single vision. It was a marvellous, heart-warming corporate effort.

Richard Fairman

The alchemy of lacquer ware

Forget Beijing, Tokyo or London. The only museum in the world where it is possible to see lacquer of all periods and countries displayed side by side is in an industrial suburb of Cologne. It belongs to the chemical giant BASF, and comprises 1,000 pieces of lacquer art, from Chinese Han Dynasty (206BC-221AD) vessels and 17th century Persian penboxes to Victorian stove-fired tin trays and French Art Deco plaques. Some 275 items, the cream of its collection, go on show today in London for the first time, at Christie's South Kensington, August 9-26.

The story of lacquer in the West is one of collecting, imitation, recreation and industrial development. It is fitting that this collection should have been begun in the 1880s by one Dr Erich Zschocke, of the Herbol Works in Cologne, producers of lacquer, varnish and paint since 1844. His idea was to provide a technically and artistically representative history of the material that formed the basis of his own manufacturing.

Herbol was bought by BASF in 1970, which continued to make modest purchases and, in 1982, had the good sense to acquire the complementary collection of Dr Kurt Herberts, owner of a rival lacquer company in Wuppertal. Free from the constraints of 19th century museum classifications, the BASF collection is uniquely able to reveal the cross-currents between Chinese, Japanese, Indo-Persian and European lacquer art. This is corporate collecting at its best.

A Chinese red lacquer vase of the 15th century

Just as China gave its name to porcelain, and Majorca to maiolica, so Japan lent its name to lacquer. Though lacquer was first used as a means of protection and decoration in China, coloured black (with wood carbon) or red (cinnabar), the pieces that the Portuguese traders introduced into Europe in the late 16th century came from Japan. In response to the highly prized chests and cabinet boxes imported by the English and Dutch East India Companies during the following century, craftsmen — and amateurs — in both countries began to produce "japanned" furniture in imitation.

A Jesuit, Filippo Bonanni, discovered a process for recreating Oriental lacquer, by dissolving fossil resins in boiling linseed oil. As the *rhus vernicifera* tree could not grow in Europe, and its sap oxidised and solidified en route, a spirit-based lacquer had hitherto been used. A poor substitute, it provided no more than a glossy coat over watercolour and gold leaf. Bonanni's discoveries were published in 1709, later translated into Italian, French and German, and formed the basis of all high-quality lacquer ware produced in Europe.

European lacquer reached its peak with the delicate Rococo papier-mache trinkets produced by the Martin brothers in Paris. In England, processes for japanning papier-mache and sheet-iron developed in Birmingham, allowed for the mass production of quality lacquer household goods for a rising middle-class market.

From the beginning, Oriental forms and decorations were adapted without understanding. Eastern craftsmen were encouraged to produce export furniture and works of art based on Western models, or to decorate their wares in an alien fashion, concentrating on individual surfaces rather than on overall design. (The finest Oriental lacquer was not seen in Europe until the great international exhibitions of the 19th century.) Japanning was done in traditional or Chinoiserie designs, and applied to objects unknown in the East. Here, for instance, is a mid-19th century German samovar decorated with gaily coloured flowers, fruit and birds on a black asphalt ground. It was only later that the Japanese aesthetic came to be understood in the West, witness Art Nouveau.

In Chinese and Japanese works of art the onus is on simple, pleasing proportion and harmony of design. The luxuriousness of an object is measured in terms of workmanship and not in the use of precious materials. The properties of a material are all important. In lacquer, light is trapped in its many layers, the effect is a warm, subtle lustre. Mother-of-pearl and ivory are favoured inlays. Looking at the Chinese red or multi-coloured lacquer vessels here, crisply carved with flowers, landscapes or dragons, it is awe-inspiring to know that they were carved out of lacquer up to 150 layers deep, each layer taking a week to dry.

The Japanese evolved the technique of *maki-e* where gold grains or dust are sprinkled onto the layers of wet lacquer. The effect is of infinite subtlety, and it is telling that the same amount of gold would cover a box of the size. A number of exquisite *maki-e* "inro" or medicine bottles are on loan. During the Edo period (1600-1868) they achieved a technical perfection comparable to that of the snuff-box in 18th century France.

Susan Moore

BBC Concert Orchestra

ALBERT HALL

The annual Gilbert and Sullivan Prom has a faithful following. The audience may be small, but it is young and enthusiastic, always eager to laugh at favourite Gilbertian lines, even sometimes before they are uttered on stage.

This year's offering was the second act of *Patience*, a remarkably fresh piece of G & S satire which is still able to give artistic poseurs a sharp nip on their elegant shins. But like any piece of topical comment, it really needs to be set within some effectiva social milieu if its humour is to carry any bite — the ENO production of *The Mikado* showed that it need not be the original — and in a concert performance that is just not possible.

On Saturday night it was difficult to get involved and there seemed a lot of time to examine the mechanics of the G & S partnership. By and large the words repay that extra degree of study, as Gilbert's text is intricately laced with a lot of what he calls "quibble and quiddity"; while the music, expertly crafted though it is, seems lightweight and really needs a theatrical ambience.

Fortunately, the cast was made up of experienced ENO regulars. After many years parading up and down Piccadilly with this particular lily, Derek Hammond-Strond's classic Bunthorne may have become a rather predictable, frog-in-the-throat "young man", but the character and comic timing are unsurpassed. As they are with Anne Collins, whose Lady Jane booms with Victorian splendour. Marilyn Hill Smith was Patience, Tom McDonnell a rather strained Grosvenor.

In the first half the BBC Concert Orchestra under Barry Wordsworth had offered two crisply-played orchestral items. It was good to hear the sensitive solo work of James Gourlay in the Tuba Concerto by Vaughan Williams, which treats the tuba as though it comes from the lyrical family of the oboe or clarinet; and the suite from Malcolm Williamson's *Our Man in Havana*, bristling with maracas and bongos, was an ideal opener.

Richard Fairman

ARTS GUIDE

August 5-11

MUSIC

London

Lyons Opera Orchestra conducted by John Eliot Gardiner with François-René Duchable, piano and Zoltan Toth, viola. Bizet, Fauré, Ravel and Berlioz. Royal Albert Hall (Mon). (589 8212).

BBC Symphony Orchestra conducted by Jerzy Maksymiuk with Philippa Davies, flute. Beethoven, Mozart and Schoenberg. Royal Albert Hall (Tue).

BBC Scottish Symphony Orchestra conducted by Jerzy Maksymiuk with Barry Tuckwell, horn and Yvonne Kenny, soprano. Stephen, Thea Musgrave, Britten and Mozart. Royal Albert Hall (Wed).

BBC Scottish Symphony Orchestra conducted by Jerzy Maksymiuk with Margaret Marshall, soprano and Christine Cairns, mezzo-soprano. Mendelssohn, Gerhard and Falla. Royal Albert Hall (Thur).

Tokyo

Hiroko Nakamura (piano), New Japan Philharmonic Orchestra conducted by Shigeo Genda. Chopin. Suntory Hall (Mon) (398 9755)

Tokyo Metropolitan Symphony Orchestra conducted by Kazuhi Ohno with Naomi Matsui (organ) Mussorgsky, Saint-Saens. Suntory Hall. (Tue) (222 0727)

Koto and flute recital by Sawai Kazue and Nakamura Yukihiko. Varia Hall (Wed) (818 4161)

Paris

Maria-Cecilia Farina, Organ: Frescobaldi, Scarlatti, Bach (Mon 8.30pm) Saint-Severin Church.

Quatuor Enesco: Haydn, Arriaga, Mozart (Tue 7 pm), Auditorium des Halles.

Veronique Dietsky, soprano: Scarlatti's Instrumental Compositions Salve Regina, Stabat Mater (Wed 8.30 pm) Saint-Severin Church.

All the above are part of the Festival Estival (48040440). Answering machine in English round the clock. 47202888.

Amsterdam

Concertgebouw, Adam Gatehouse conducting the National Youth Orchestra of the Netherlands: Bruckner (Tue). Heinrich Schiff, cello: Bach (Thur). (718 345).

Nieuwe Kerk, (Dam Square). William and Mary candlelight concerts: Gustav Leonhardt, organ: Sweelinck, Van Noordt, Byrd, Bull, Tomkins, Blow, Purcell (Mon). The Sixteen Consort under Harry Christophers: Purcell (Thur).

New York

Mostly Mozart Festival (Avery Fisher Hall, Lincoln Center): Cleveland Quartet, Emanuel Ax piano, Paula Robison flute. Mozart, Mendelssohn, Schumann (Mon); Mostly Mozart Festival Orchestra, Hermann Michael conducting, Emanuel Ax piano, David Shifrin clarinet. Rossini, Mozart, Schubert. (Tue, Wed). (874 2424)

Juilliard Concerts (IBM Atrium): The Dapinis Trio. Bach, Pachelbel, Faure (Wed 12.30 mat. free concert at 56th & Madison).

Washington

Wolf Trap Festival, Popular Music Concerts this week include Ray Charles (Mon) and a Soviet-American jazz combination of Paul Winter and the Dmitri Pokrovsky Singers (Tue). Israel Philharmonic conducted by Kurt Masur. Beethoven, Mussorgsky, Haydn (Wed). (432 0200).

Chicago

Ravinia Festival, Louis Lortie piano recital. All-Chopin programme (Tue); Chicago Symphony. James Conlon conducting, Vladimir Feltsman piano. Mussorgsky, Rachmaninoff, Dvorak (Thur). (728 4642).

OPERA AND BALLET

London

Leningrad State Kirov Ballet moves from the Business Design Centre in Islington to the Royal Opera House, Covent Garden (Tue) with Le Corsaire.

Coliseum. Dance Theatre of Harlem. Royal Festival Hall. London Festival Ballet in La Sylphide.

Business Design Centre, Islington: Moscow Classical Ballet opens a short season on Tuesday with their new Swan Lake.

Rome

Terme di Caracalla. Aida, conducted by Daniel Oren, with April Millo in the title role. Giselle, with the original choreography, danced by Margherita Parilla and Mario Marozzi alternating with Lucia Colognato and Salvatore Capozzi. La Fanciulla del West conducted by Pinchas Steinberg. (46.17.55)

Palermo

Teatro di Verdura di Villa Castelnuovo, Bolshoi Ballet and orchestra in Glazunov's version of Petipa's Raymonda. (58.15.12).

New York

New York City Opera, (State Theatre, Lincoln Center): the week features La Traviata, Madame Butterfly, Mefistofele and Die Zauberflote. (496 0600).

Lincoln Center, Out-of-Doors Festival: the month long and usually free performances in the plazas and Damrosch Park feature at 8.15 Limon Dance Company (Tue) and Muntu Dance Theatre of Chicago (Thur). (877 2011)

Falstaff

GLYNDEBOURNE

A final word from Glyndebourne this season. After 10 years as the festival's Music Director, Bernard Haitink has given his farewell performance and has handed the baton for the remaining performances of this season's new production of *Falstaff* to Graeme Jenkins.

The company he leaves is in acceptably good shape. Thanks to the long hours of rehearsal and the absence of jet-setting star singers, Glyndebourne is able to schedule a large number of performances of its productions, and the benefits that can accrue from a long run have paid dividends in this *Falstaff*, which has gained much in spirit since an apparently uncertain first night.

It is said that Jenkins has cut about 10 minutes off Haitink's timings, and the extra adrenaline tells. (Verdi grumbled frequently about conductors who took *Falstaff* too slowly.) The speeds for some of the trickier ensembles still give the singers a gentle ride over Verdi's tongue-twisting rapids, but the performance as a whole had much of the zest and eager forward propulsion on which the piece thrives.

In time, Jenkins will no doubt feel his way deeper into this endlessly fascinating score: more threatening, primary colours for the accompaniment to Ford's jealousy monologue, and a stillness to make the audience really hold its breath as Falstaff arrives at midnight by Herne's oak (how mystical Karajan seems there). However, the pacing and articulation, with the LPO ensemble in fine fettle, are convincingly on the right road.

The cast remains mixed. I enjoyed the way Claudio Desderi's Falstaff relishes the Italian language, less so his characterisation, which seemed insufficiently mature and worldly-wise. Elsewhere there was an undue amount of flat singing (in intonation, not spirit) and the words, which Verdi regarded as so important, could cross the footlights with a lot more comic fizz. If Toscanini had come to Glyndebourne in 1938 for *Falstaff*, he would have seen to that.

Richard Fairman

'Brigadoon' returns to West End

Lerner and Loewe's first Broadway hit, the musical *Brigadoon*, is to return to the West End for the first time in nearly 40 years. It opens in Plymouth on August 8, moves to Manchester on September 16, and will open in London on October 25.

FINANCIAL TIMES

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Tuesday August 9 1988

Progress on Namibia

EFFORTS to bring independence for Namibia and the withdrawal of foreign forces from Angola yesterday brought the first tangible sign of progress. A *de facto* ceasefire in the conflict is now in effect, and Angola, Cuba and South Africa have set September 1 as the deadline by which they intend to resolve outstanding issues. By this date, South Africa has also undertaken to withdraw its troops from southern Angola.

It is a remarkable achievement by the US mediator, Dr Chester Crocker, the Assistant Secretary of State for African Affairs. It should be remembered, however, that a ceasefire negotiated in February 1984 eventually foundered before the parties could resolve the very issues that still stand in the way of the current attempt to reach a settlement: a timetable for the withdrawal of Cuban forces in Angola, now numbering some 45,000, and the role of Unita, the Angolan rebel movement, led by Dr Jonas Savimbi, which is backed by South Africa and the US.

Nevertheless, yesterday's development is a step towards the implementation of a regional agreement whose outlines are already in place. The governments involved have accepted – reluctantly in the case of Pretoria – UN resolution 435 which provides for internationally supervised transition to independence elections in Namibia, a process which, under yesterday's agreement, should begin on November 1.

Insistence

Cuba and Angola have accepted – equally reluctantly – the insistence of Washington and Pretoria that implementation of the UN plan be linked to the withdrawal of the Cuban force.

Last month in New York a 14 point agreement on the "principles for a peaceful settlement in southwestern Africa" approved by Angola, Cuba and South Africa included an undertaking by the three governments "not to allow their territory to be used for acts of war, aggression or violence against other states."

This paves the way for a non-aggression treaty between Angola and South Africa as part of the peace package. Angola, it seems, would be prepared to stop military assistance to guerrillas of the African National Congress, while South Africa would end its support of Unita.

The question that remains unanswered, however, is whether South Africa is finally prepared to cede the territory it illegally controls.

The offer last week by Mr Pik Botha, South Africa's Foreign Minister, to allow independence for Namibia by June 1 1989 provided a total Cuban withdrawal took place by that date, left the question unresolved, for it was an offer Pretoria knew posed serious difficulties for Angola.

Conscription

South Africa helped build Unita into the force it is today, and the threat will not disappear by next June. It certainly will not disappear as long as Washington continues to support Unita, as part of the US effort to force the MPLA government in Luanda to come to terms with the rebels. Dr Savimbi has a legitimate case, for a 1975 agreement to hold multiparty elections in Angola was never fulfilled. It may be unrealistic, however, to include a settlement of Angola's civil war within the framework of the current initiative, although that remains Dr Crocker's intention.

No one doubts that Pretoria has the capacity to hold on to Namibia for many years to come. But more and more white South Africans are wondering why their soldiers are dying in foreign parts, as last week's unprecedented protest against military conscription illustrates. Meanwhile there is no guarantee that the package the US is now offering Pretoria would survive the November presidential elections. Mr Michael Dukakis, the Democrat candidate, has already said he would end military aid to Unita.

Nor can there be any doubt about Cuba's commitment to Angola. The build up in recent months of its forces in southern Angola suggests that Fidel Castro is prepared to raise the stakes in a conflict that has already cost scores of thousands of lives.

If the US initiative fails, the result will be intensified fighting in a battle that neither side can win. This fact alone should concentrate the minds of the negotiators when they meet again later this month.

Conflicting aims in export credit

A LONG TRADITION of muddled thinking surrounds the affairs of Britain's Export Credits Guarantee Department (ECGD) which was fiercely criticised in the latest report from the House of Commons Public Accounts Committee. A more fundamental review of its affairs is needed if it is to be assigned a constructive role in helping the export community.

The core problem facing the ECGD is the twin objective imposed on it by the Government to support exports and to break even over time. The PAC is worried that, by seeming to fail in the latter objective, the ECGD has developed an insatiable appetite for taxpayers' funds and should be reined in.

Nowhere in its report, however, does it pause to consider whether the twin objectives are compatible. This would be an embarrassing question to pose because the answer is that they are almost certainly not. A Government agency obliged to insure doubtful credit risks as part of its task of supporting exports cannot always be expected to break even.

Red ink

The UK's competitors know this. That is why all the main industrial countries have a state-supported export credit guarantee scheme which is generally presumed to involve a cost to state finances.

Only Britain imposes the additional requirement of breaking even. The red ink has been flowing like water through the accounts of most official export credit agencies since the debt crisis broke in 1982, but, again, only in Britain has this resulted in acrimonious debate about the competence of the institution in question. Most other countries have simply absorbed the losses into their national budgets without any fuss.

The thought process behind the PAC report runs roughly as follows. Borrowings by the ECGD from Central Government indicate a cash shortfall that is tantamount to a loss. The ECGD is costing the taxpayer money, but it is still reporting a trading surplus. Its accounts must therefore be deceptive and its management under-performing, to say the least.

This argument is flawed in several places. The ECGD's borrowings from the Government have risen because of a bunching of claims which it has had to meet as a result of the developing country debt crisis. The mere payment of these claims may sometimes, but need not automatically, indicate a final loss since the ECGD normally expects to recover its money once rescheduled debt is repaid by the original importing country whose debt it guaranteed.

Criticism

The PAC goes on to criticise ECGD's management competence. Exporters, whose views the PAC did not seek, report that the quality of the ECGD management has improved noticeably with the installation of Mr Malcolm Stephens as the new chief executive in April last year. But it still has a long way to go to match the standards that would normally be expected of its private sector competition.

The PAC report has seized upon the ECGD management weakness in the area of financial accounts, highlighting the obscure way in which they are presented and the subjective methodology used until now by the ECGD to calculate loss provisions on its exposure to developing countries.

These problems will both be addressed in the ECGD's next set of accounts which should give a much better impression of the extent to which the ECGD has or has not become a cost to the taxpayer.

Only once this is determined can the real debate begin about whether such a cost is worthwhile, whether the increasingly profitable short term business could be sensibly hived off to the private sector, and how, with a more rational set of priorities, the losses of the remaining medium-term project business might sensibly be contained.

A.H. Hermann argues that the UK's judicial system is failing its citizens

The net catches the wrong fish

A place in prison is one of the UK's scarcest resources. It is also one of which the worst possible use is being made.

In a green paper published last month*, the British Government argued that instead of turning aberrant youths into hardened criminals by sending them, at great expense, to prison, they should be guided towards a responsible life in the community. It proposes a new type of flexible sentence which courts could tailor to fit the individual offender. This could include compensating the victim, being required to stay in a certain place or avoid another, doing community work, observing a curfew or other conditions. It was also proposed that offenders between the ages of 16 and 20 could be sent either to normal or to juvenile courts according to their maturity.

Unfortunately these enlightened views are contradicted by the Government's £1bn prison-building programme. Judges and magistrates, usually people with set habits who have been given little training, continue to fill prisons with small-time thieves and to show lenience to violent offenders.

Some measures have succeeded. Magistrates courts, for instance, have benefited from extension of the fixed penalty system for motoring offences. And the wider use of cautioning by the police has protected these courts from the tidal wave of offences recorded by the police, which increased by 19 per cent between 1982 and 1987, from 4m to 4.75m.

The Crown Courts, where more serious offences are tried, have not been so lucky. The number of cases sent to Crown Court rose between 1986 and 1987 by 17 per cent, reaching a record level of 98,873, double that of 1979. Disposal of cases kept in step – and waiting times for trial were even reduced from 14 weeks to 12 weeks – mainly because of police and prosecution pressure on defendants to plead guilty.

The Lord Chancellor's department is considering two alternative proposals for relieving the congestion in the Crown Court. Either some of those accused of small offences – petty theft, for example – would lose the right to elect to go for trial by jury, or another 40 circuit judges would have to be appointed.

The Criminal Bar opposes the first proposal. It fears a reduction in Crown Court business, and insists that there should be that a right to a jury trial even for petty offences. High Court judges oppose the second alternative, the appointment of an additional 40 circuit judges, mainly from the ranks of solicitors. They believe that the prestige of their office would suffer.

Both the Bar and the judges seem to be closing their eyes to the impending crisis. Last year, in England and Wales alone, the police cautioned 243,000 offenders and took proceedings in court against 1.8m people – an astonishing figure, difficult to reconcile with an everyday life which still seems to be relatively peaceful.

Is the problem not that the system uses a net with much too small a mesh and casts it far too widely? If this assumption is correct, the two proposals worrying the Lord Chancellor's mandarins are equally irrelevant. The problem may not be so much on the supply side (courts and prisons) as on the demand side: bringing to court cases which should not be there.

An analysis of the cases committed to trial in the Crown Court shows that only a very small percentage represent serious offences normally tried by a High Court judge or a Circuit judge. The overwhelming majority, 94.7 per cent, were in Class 4, comprising grievous bodily harm, robbery, conspiracy and all the lesser offences which may be tried either with a jury in the Crown Court or summarily in Magistrates' Courts. Removing the choice of trial by jury in this category would substantially relieve pressure on the Crown Court. However, a better solution might be to keep many of these cases away from courts altogether.

Even as things are at present, the role of the jury is not as pervasive as people imagine. In 1987, only 16 per cent of Crown Court cases were decided by the jury. In the remainder, the defendant either pleaded guilty or was discharged by the judge. Of 28,000 pleading not guilty, 15,560 were acquitted. Of these, 5,500 were discharged by the judge because there was no case to answer and in a further 2,353 cases the judge directed the jury to acquit. This means that if the prosecution service worked properly, some 8,000 should never have been prosecuted at all, reducing the burden on the Crown Court by 8 per cent, which roughly equals the work-load of the 40 missing circuit judges.

The 55 per cent rate of acquittal of those pleading not guilty also seems to suggest that magistrates rubber stamp the proposals the prosecution puts forward in committal proceedings. This is a matter of even greater concern in the 68 per cent of all Crown Court cases where the defendant pleaded guilty. Not all pleas of guilty are made necessarily because the defendant is guilty. He might prefer a light sentence to the risk that the jury will find him guilty of a more serious crime which he had not committed, or he might be covering up for someone else, possibly because of threats, or might simply lack the nerve for a criminal trial.

In such cases, the English courts dispense injustice with unique speed and simplicity. Typically, the police hand the papers to the Crown Prosecution Service just in time for the committal procedure, leaving the prosecutor little time to ponder the case. He does not interview the suspect. The magistrates in the "short" committal procedure are not obliged to, and as a rule do not, look at the evidence.

In the Crown Court the defendant is read the indictment and when he pleads guilty that is the end of the trial. The jury is not called in, the prosecution outlines its case and the defence presents any plea in mitigation to help the judge to decide on the sentence. In theory, the accused can be sentenced to life for murder on his own word alone. There is no legal aid for an appeal if the defending counsel advises against it, and if there is an appeal, the appeal court may refuse to look at evidence, treating the case as one of "confession".

It is anybody's guess how many guilty pleas would be thrown out if confession had to be corroborated by evidence, as is the normal procedure in the rest of Europe. There is, however, no doubt that the process based on confession alone is most unsafe.

This system of criminal justice, which is highly unreliable even in the case of adult defendants, also sucked in a great number of boys and girls aged 10 to 13. Home Office figures show that some 39,000 of these were cautioned in 1987, and 4,700 found guilty in juvenile courts, mainly of theft – the offence of about 70 per cent of boys and 90 per cent of girls.

Such proceedings against children, who in most countries have no criminal responsibility, are counter-productive. The children are stigmatised and steered into a most undesirable channel because of transgressions which are in most cases a passing phase of their development. The burden which such prosecutions impose on the courts is the least worrying aspect of the system. By making children criminally responsible at the age of 10 responsibility is removed from parents or those *in loco parentis*, who are in a much better position to influence children's behaviour than the police or the courts.

Even greater reduction of the "demand side" of the system could be achieved by the decriminalisation of many petty offences so that they could be disposed of administratively. This would enable the system to deal more effectively with serious crime.

There were 1.3m prosecutions for summary (less serious) offences in 1987, compared with 500,000 for indictable (more serious) offences. Between 1986 and 1987 proceedings for summary motoring offences dropped by 33 per cent – from 1.2m to 800,000. This reduction was achieved by extending the "ticket" system of fixed penalty notices and by introducing a scheme for ensuring the rectification of vehicle defects that avoids prosecution.

This points the way to a possible further decriminalisation of regulatory offences. Out of the 1.8m defendants in magistrates courts in 1987, of which half were discharged, 800,000 were there for summary motoring offences and 500,000 for summary non-motoring offences. This suggests that the ticket system could be much more widely applied. It could be extended to all non-indictable motoring offences and made more effective by recording the fines on the Swansea car registration computer so that a vehicle could not be transferred unless the fines were paid – as is done in the US.

There seems no reason why other regulatory offences – for example health and safety infringements, or vandalism and minor disturbances of the peace, should not also be dealt with by a ticket fine. The offence of travelling on public transport without a ticket – which now represents an important part of magistrates courts' business in large cities – seems particularly suited to the fixed penalty treatment.

A national computer record of fixed penalties and police cautions could provide a safe basis for the sentencing of recidivists.

Out of the 178,000 offenders found guilty of theft and handling stolen goods in 1987, a great number could probably be dealt with by a fixed penalty. This is supported by the fact that only 7 per cent of those found guilty of theft or burglary were sent to jail, for sentences which averaged six weeks and three and a half months respectively. In contrast, only 8 per cent of those guilty of violent or sexual crimes were sent to prison; their sentences were not much longer than those for theft and burglary – on average 3 months for violent crimes, four months for sexual ones.

Such perverse sentencing policy is even more evident in the Crown Court. Jail sentences were given in 42 per cent of theft cases and 64 per cent of burglary cases, but in only 50 per cent of cases involving violence. The average length of sentences in 1987 was still 11 weeks for theft, 16 months for burglary and 18 months for crimes of violence – an shockingly small difference. The average sentence for sexual offences rose to 34 months but is still lagging behind the average of 51 months for robbery, though the proportion of sexual offenders sent to prison increased to 76 per cent.

A remission of two-thirds is automatic in sentences up to 18 months. Those with sentences of more than 18 months are unlikely – thanks to parole – to serve more than half the prescribed period. The UK's large number of short sentences therefore fill prisons with a rapidly changing population. Prison has little deterrent effect, embitters casual and small offenders, teaches new tricks to others and in general provides little or no protection for the society which pays so heavily for the prison accommodation.

A better policy might be to answer crimes against property with fines, confiscations and other non-custodial measures, as proposed in last month's green paper, and to punish violence with prison sentences of sufficient deterrent capacity. Courts and prisons could be further relieved by streamlining the procedure. A computerised listing of all cases, in particular, would avoid unnecessary waiting, adjournments, and remands in custody. But the most important step of all would be to keep the small fry out of court, and leave the legal system free to concentrate on the bigger fish.

* *Punishment, Custody and the Community, £5.60*

The figures in this article are drawn from: Home Office Statistical Bulletin, May 1988, Government Statistical Office, £2.50 (most figures for 1987 are estimates); Judicial Statistics for England and Wales, published by Lord Chancellor's Department, 20 July 1988, £9.60

OBSERVER

Ambassador sells out

■ Walter Annenberg, who has sold his magazine publishing business to Rupert Murdoch for $3bn, may never live down his famous comment to the Queen when be arrived as US ambassador in 1969 and occupied the embassy - "subject, of course, to some of the discomfiture as a result of a need for, uh, elements of refurbishment and rehabilitation."

But the image of a vastly rich amateur who knew nothing of diplomacy and who owed the appointment to his generous contributions to Nixon's campaigns has faded with time. In 1976 the Queen awarded him an honorary knighthood in part for his philanthropic work such as a large contribution to the restoration of St. Paul's Cathedral, and in 1983 she stopped for lunch at Sunny-lands, his 273-acre retreat in Palm Springs, California.

Annenberg was born in 1908 into one of the wealthiest families in the country. His father Moses made a fortune with the Daily Racing Form, the horse racing bible included in the sale to Murdoch. Moses also ran a wire service which reported racing results to bookmakers.

He went to jail, however, in 1940 for income tax evasion, enhancing a shady reputation which his son fought to live down. Walter had joined the family firm in his 20s and built it into an even more profitable business. One of his masterstrokes was to start TV Guide in 1953 which remains today the leading source for viewers for schedules and news about stars and programmes.

Still known as the Ambassador to his associates, Annenberg signalled more than a year ago that be would probably sell out. Rich heirs "do not necessarily have the lash of ambition on their back and become what I describe as well fed house dogs," he said in a magazine interview. He now intends to devote his money and energy to philanthropy, particularly the university schools he has already founded.

All the eights

■ While British eyes were all on the Portland Hospital yesterday, a birth in Australia made history of sorts. Peter James Seabrook took his first breath at 8.08am on 8/8/88. For his impeccable timing, master Seabrook received 888 units of a Legal and General "Kiddies Bond". But he'll have to wait ten years to cash it in.

For the record, Nigel Lawson also completes his 1888th day as Chancellor today, beating the post-war record set by Denis Healey, though falling far short of Lloyd George who held the job for over seven years.

Charming

■ Mr Mailson da Nobrega, the Brazilian Finance Minister just back from a whistle-stop tour of overseas creditor capitals, has a high regard for the political sense of British females.

The conservative da Nobrega has been a fan of Mrs Thatcher's regime since he worked in London several years ago at Eurobraz, the investment bank run by Brazilian and foreign partners. But be confesses that he picked up his political wisdom, not from the prims minister but his office charlady.

A lifelong Labour voter, she surprised the future Finance Minister by declaring after the 1983 election that she had decided to abstain. "I ain't going to vote for nobody who promises what they can't deliver," she explained.

Da Nobrega never tires of passing on this lesson to the free-spending Utopians in the Brazilian Congress

"It's eaten the silver spoon"

Hard wearing

■ The prospect of being computerised out of a job haunts anyone in the paper shuffling business, for example, the armies of messengers who keep the wheels of the City turning.

Yet the collapse of the LondonClear project last week (which would have eliminated paper in the money markets) has sustained demand for bodies on a sound pair of legs, like Jeff Lawrence who "walks" for the Midland Bank.

"Our jobs are pretty safe for a long time to come, I think," said Lawrence, who, at a mere 28 years, belies the superannuated image of City messengers. He came to the job eight years ago after redundancy cut short his chosen career as a welder.

He does four "walks" a day bearing his leather pouchful of bills, documents, drafts and cheques. The Midland has 12 different walks, all within the Square Mile. Lawrence estimates he covers up to four miles a day, and knows most people along the way. Midland used to pay him £30 a year for shoe leather, but that has now been subsumed in his pay.

"They've been talking about computerisation for a long time. But the little banks can't afford it, and they'll always need someone to deliver letters. So I don't let it worry me."

Wrong Ring

■ I have not, I confess, actually seen the new production of The Ring at Bayreuth by Harry Kupfer, the East German director. But enough has been written about it to convince me that its images are quite out of key with the times, powerful though they may be.

Nuclear warfare, freedom fighters, the collapse of capitalism: Kupfer has woven all of these into into Wagner's tale of heroism on the mountain tops and corruption in the palaces of the gods.

Surely these images belong to the seventies. If one was searching for political themes of the late 1980's, the growing prospect of world peace, the quietening of liberation wars, and the robustness of the western economic system would be far more apposite.

One hesitates to accuse Kupfer of grinding an ideological axe – he is too widely respected for that. But nuclear self-immolation as an artistic image has been on the road to Hackney ever since *Dr Strangelove* 20 years ago.

Fine example

■ President Reagan's influence on the American public remains undiminished. Sales of nose coats, a suntan product, increased by 60 per cent in the US last year, following the discovery on the presidential nose of a cancer thought to have been caused by sunburn.

David Lascelles

LETTERS

Privatising prisons requires enforceable standards

From Mr Edmund Dell.

Sir, Your editorial, "New approach to prisons" (August 2) argues that the case for privatisation should not be dismissed out of hand. Certainly if that case is to be based alone on the condition of our state-run prisons, it will have an easy ride.

Prisons in the UK are overcrowded, deplorably lacking in civilised facilities, with barren regimes, and with industrial relations on the verge of breakdown.

There are, however, important issues of principle to be considered before the management of custodial institutions is sub-contracted to the private sector. It is therefore matter for concern that, already, in its Green Paper, the Government declares that "it is not at present inclined to accept that there is any over-riding difficulty of principle" (paragraph 50). The consultation on the matter of principle appears to be over before it has begun.

Perhaps the best argument for privatisation would be the establishment of the "standards" and the "regulation" to which your editorial refers. Should the government go ahead with private sector provision, adequate and enforceable standards would have to be set to cover such matters as accommodation and time out of cell.

Such standards would have to apply to public institutions as well as private; and be equally enforceable against the Home Office. Money would have to be provided accordingly to both sectors.

Thus far the Government's opposition to enforceable standards for its own institutions appears to derive from a fear that the cost would be prohibitive. So it might well be. That, however, would be no excuse for operating lower standards in the public sector than in the private sector.

Indeed, the cost might at last persuade the government to do something effective about the fundamental problem: the excessive numbers of offenders sent to prison. The Government has itself said: "Custody should be reserved as punishment for very serious offences, especially when the offender is violent and a continuing risk to the public" (Punishment, Custody and the Community, July 1988, paragraph 1.8).

If Parliament ensured that that admirable statement became the policy of the courts, there would be no need to examine further the idea of private sector prisons.

Edmund Dell,
Chairman,
Prison Reform Trust,
59 Caledonian Road, N1

Air space is not the main issue

From the Chairman, British Air Transport Association.

Sir, The Civil Aviation Authority (CAA) is provided with a large measure of autonomy. In consequence the failure to administer, both long term investment and short term measures in a timely fashion must be solely the responsibility of its management over some years.

There is not, in our view, any political failing or failure of the Department of Transport. We have made that clear.

Civil aviation obviously welcomes any suggestion of an increase in allocated airspace, but it is our view that in the short term the shortage of air space is not the main issue. The recent major delays experienced were mainly because of the industrial action in Greece, aggravated by the breakdown in communications and inefficiencies of the UK National Air Traffic Service.

In particular, the flow control rates imposed by both the UK and other European authorities were the sole reason for the less extended delays experienced during the same period.

D.H. Davison,
British Air Transport Association,
c/o The Royal Aeronautical Society,
4 Hamilton Place, W1

Maplin should be built now

From Ms Evelyn Atlee.

Sir, You rightly suggest (July 20) that the airlines and tour operators should bear the costs of the air congestion they cause. Until that happens, it is people who live near the airports who pay the price. Passengers may lose sleep and a few days holiday, but our members lose hard-won concessions (such as night flight restrictions) which are peremptorily cancelled to facilitate aircraft movements.

In the 1970s there was a proposal to build a combined airport and deep water port on the coast in Essex. Aircraft would have taken off and landed over water, not people. With a high speed train to central London, and a motorway to join up with the national network, access would have been free from problems.

The chaos at our airports this summer shows our civil aviation industry in disarray. It also shows that the need for Maplin is greater now than when it was cancelled. It should be built now, before expansion plans for existing airports are carried out, bringing further turbulence in their wake.

Evelyn Atlee,
The Federation of Heathrow Anti-Noise Groups,
Belhaven House,
East Molesey, Surrey

Initiatives proliferate

From Mr Ansel Harris.

Sir, The current economic crisis (interest rates raised for the sixth time in as many weeks, and a balance of payments deficit running at more than twice the Chancellor's expectations) might be a suitable time to examine some of the initiatives and expenditure of the past few years, as part of Government endeavour to improve the standards of performance of British enterprise and industry.

Initiatives to this end have been proliferating from both the Manpower Services Commission (MSC, now the Training Commission), and the Department of Trade and Industry (DTI), among others. For some years the Small Firms Service has offered subsidised consultancies to the eponymous firms. Recently the DTI has introduced the Enterprise Initiative, which includes one very similar service.

Not only does this suggest duplication, but it presents bodies like ourselves with the dilemma as to which resource we should endeavour to recruit for our needy clients, whom these governmental initiatives are intended to serve.

As an employers' organisation, we are faced today with yet another dilemma. Some time ago we were invited to join an organisation called Lens (local employer networks): a national training initiative backed by a tripartite sponsorship including the MSC. Among its declared tasks is "managing networks or work placements from schools or colleges" by such means as "contributing to the training of teachers."

Now, fast on its heels (the Lens initiative was launched in February 1987), comes the DTI Business and Education Initiative (BAEI). Its main strategy will be affected by the appointment of "signposters." In turn, the signposters' main task will be greatly to increase the number of employers involved in business education links.

Growing disillusion is being expressed by our members, and their *confrères* in other like organisations, over the multiplicity and limited effectiveness of these initiatives. We wonder whether the sponsors themselves are aware of this constant re-invention of the wheel.

No doubt, in due course, this will be a useful field for business schools and PhD theses. And as long as central government offers cash incentives for people to participate in these schemes, there will be takers. But it is not sufficient to await their ultimate evaluation in a PhD thesis. Perhaps Professor Northcote-Parkinson should be dealing with this one.

Ansel Harris,
Park Royal Enterprise Trust,
Waxlow Road, NW10

Airbus electronics worked

From Mr Robert Alizart.

Sir, Christian Tyler, referring to the crash of an Airbus A320 in France, asks whether "the man or the computer erred?" (July 9). The answer to this question is in the preliminary report by the French official enquiry set up to investigate the causes of this crash, which report was made public on July 29. Its conclusion is that the aircraft and its systems performed normally.

As a result of this report the two pilots of the crashed aircraft were suspended by the French authorities.

It is worth noting that, hours after the crash, from evidence available then, the French Minister of Transport stated to the press that there had been no malfunction of the aircraft and its systems. It is presumably this evidence which accounts for what Mr Tyler calls the "premature insinuations", that the mistake was the pilot's and not the aircraft's and its systems.

It is worth reminding ourselves that most airliners today are flown by electronic means from shortly after take-off until after touch-down. The A320 is the first civil airliner to integrate the many but separate computerised functions that are already incorporated into airliners.

It is almost certain that the fly-by-wire controls on the aircraft that crashed prevented it from stalling, and thereby helped minimise loss of life.

Robert Alizart,
Airbus Industrie,
1 Rond Point Maurice Bellonte,
31707 Blagnac Cedex,
France.

Team briefing is two-way

From Mr Mark Gibson.

Sir, Mr Andrew Sargent is right ("Do not deny the importance of team briefing", July 20). Effective communication with employees is vital to the health of any business.

This is especially – and obviously – true in an age when there has been an explosion of information, and at a time when many forward-looking companies are moving towards a more participative management style, often by means of profit-related rewards such as bonus, incentive and share schemes and, more recently, profit-related pay.

Clearly it is impossible for employees to contribute fully to business objectives – or even take advantage of increasingly sophisticated benefit schemes – if they cannot understand them. Team briefing is one of the few opportunities for face-to-face communication in a group small enough to allow a genuine two-way interchange of ideas. Frequently, without such an interchange, a company will only be able to assess whether important messages have got across when it discovers that they have not.

Team briefing also recognises the importance of the manager as the provider of the information. Indeed, the informed manager is the key to a strong internal communication strategy. In a survey of leadership behaviour in some of America's best run companies, Warren Bennis concluded that it is unlikely that managers perform well unless they feel "ownership" for their work. It is therefore vital that managers feel ownership of the communication network.

IBM have a very well developed and successful internal communication policy in this respect. Managers are responsible for briefing employees; the company supports them by training them and also by providing well-presented communication materials. Quality materials are vital for effective team briefing. This involves carefully defining what employees expect and want to hear, as well as the messages the company wants to get across.

IBM also conducts regular opinion surveys among managers and non-managers to monitor attitudes towards existing communication methods, as well as to measure employee perception of company policy.

Defining what exactly the company needs to communicate (by regular employee surveys), and supporting managers (with professional communication aids), are vital to effective team briefing. All these things require commitment from the top.

Mark Gibson,
C C & P Communications,
26-28 Bedford Row, WC1

The Ecu could lead the way

From Mr David Flanagan.

Sir, Your leading article, "The Ecu steps forward" (August 3), welcomes the announcement that the Government is to issue Treasury bills denominated in Ecus (European units of currency). This is seen as boosting the private market in Ecus, and adding credence to the Ecu as a foreign reserve component and an intervention vehicle, but not as an alternative to or substitute for full British membership of the European Monetary System (EMS).

Part of the reason for the deceleration in private use of the Ecu, especially since 1986, is the volatility which sterling introduces to the Ecu's value. As long as sterling remains outside the EMS exchange rate mechanism, this caution over the Ecu's private use is likely to continue.

The Government's next logical step, if the issues are to succeed fully, and if London is to emerge as the centre of the Ecu debt market, would be full UK membership of the EMS. The decision to issue Treasury bills in Ecus may not be intended as a substitute for UK membership but as a forerunner; full membership of the EMS may now be imminent.

One point that might also be mentioned is that the Ecu Treasury bills decision paves the way for other governments outside the EMS to follow suit. The American authorities, in particular, may be encouraged to do the same. As an uncontroversial method of funding the US budget deficit the Ecu may be almost ideal, and could help in the adjustment of international imbalances.

David Flanagan,
138 Shepherd Bush Road, W6

From Mr J.W.Smith.

Sir, Lex suggests (August 3) that nine out of 10 Britons think the Ecu is a game.

France, taking steps to acquaint its people with the Ecu, is now issuing the popular FFr2.20 postage stamp (equivalent to the 18p stamp in the UK) ovarprinted boldly in black with the price Ecu 0.31.

J.W.Smith,
18-20 George Street,
Richmond, Surrey

'Where there is a risk there should be a contract'

From Mr Marcus R. Harling.

Sir, Ian Lupson and Martin Piers's excellent article ("Lost Profit", July 28) unfortunately made no reference to the House of Lords case of *D & F Estates Limited v Church Commissioners (1988) NLJ 210*, where judgment was handed down on July 14 1988.

The analysis can now be taken further. The House of Lords confirmed that if there is no injury to person and no other damage to property (in addition to the defective product), "pure economic loss" will not be recoverable unless there is a contractual relationship or special relationship between the buyer and the manufacturer, developer or builder.

In *Veitchi*, the House of Lords held that a subcontractor was liable for negligence because of his "unique" relationship or "proximity" to the investor. It has now become increasingly unclear what constitutes the "unique" relationship. In their July 14 decision, the Law Lords did not give clear guidance.

Economic loss covers much more than lost profit. The purchaser of equipment or commercial property may find that he has no claim if he finds that the defect affects performance or the life of the product.

The businessman seeking to recover what he will regard as loss directly caused by a negligent third party has been left to walk a knife edge blindfold. There is a clear opening for the insurance market identified by your contributors.

In any business the most significant part of any loss will normally be economic. The first rule must be to ensure that where there is a risk there is a contract, the second to make sure that the contract covers the various paths by which claims can arise. *(Greater Nottingham Co-Operative Society).* The chances are that – unless he is very lucky – the businessman will now now get a second chance by alleging negligence.

Marcus Harling,
Burges Salmon,
Narrow Quay House,
Prince Street,
Bristol

FOREIGN AFFAIRS

A Romanian threat to the Warsaw Pact

Ceausescu is a thorn in the flesh of the reforming Gorbachev, writes **Edward Mortimer**

What can be done about Romania? Something surely should be.

It is very difficult to accept that the rest of Europe can do no more than wring its hands in grief while a dictator in pursuit of a megalomaniac fantasy systematically destroys the landscape, culture and homes of his people. He is depriving them of the bare necessities of life and diverting the country's resources partly into the gigantic self-imposed task of demolition and construction, partly into the unsolicited repayment of debt.

That may sound like irresponsible hyperbole, but it is no more than a bald summary of the first-hand accounts that have been published in Western newspapers in the last few months. But is it any of our business – of us who are fortunate enough not to live in Romania?

President Nicolae Ceausescu thinks not. He has instructed his delegates at the Vienna follow-up meeting of the Conference on Security and Co-operation in Europe to block proposals for, among other things, the creation of organisations to monitor the implementation of the Helsinki Final Act and related agreements. He sticks to an absolutist doctrine of national sovereignty, under which the way a state treats its own citizens is its affair and no one else's.

That doctrine, of course, is popular with many Third World governments. But in Europe it has of late become very unfashionable, and is in fact in direct contradiction to the Helsinki Final Act itself (of which Romania is a signatory). Not only most people, but virtually all governments in Europe would now admit that violations of human rights are a legitimate subject of concern even beyond the frontiers of the particular state where they occur.

By world standards, Ceausescu's regime is not at the pinnacle of atrocity. It has not so far resorted to killing on a large scale. Nor has it brought about an Ethiopian-style famine, though there is certainly some malnutrition as well as declining standards of public health. (Children who die under the age of six months are not even included in the official mortality rates.) Yet there is a sense in which destroying a landscape and a culture is even worse than killing people. People are by their nature mortal. Their culture, their buildings, their monuments are the things by which they can hope to achieve some continuity, if not permanence.

It is not the type of situation in which one could argue for military intervention by another state, like those of Tanzania against Idi Amin in Uganda, Vietnam against Pol Pot in Cambodia, or the US against Bernard Coard in Grenada. Even those three examples, after all, though widely defended, are also widely condemned, if not by the same people in each case. Tempting though it might be to advise Mikhail Gorbachev that Romania is one country where Soviet tanks would now be genuinely welcomed as liberators, Mr Gorbachev knows better than most that the difficult part is not sending tanks into a neighbouring country: it is getting them out again.

Does he not have less spectacular methods available for getting rid of an East European leader who has become an embarrassment? Gustav Husak, after all, went quietly enough in Czechoslovakia, and Janos Kadar without an inordinate fuss in Hungary. The answer is that those precedents are almost certainly not replicable in Romania. For more than 20 years Mr Ceausescu has devoted most of his energies to ensuring that such a thing cannot happen to him. Subtly exploiting the anti-Russian sentiments of his people, he weaned the Romanian communist party away from subservience to Moscow, rotating the cadres with such regularity that no pro-Soviet clique had time to form, and carefully disentangled his "Securitate" from its parent body, the KGB.

Indeed for a long time his assertion of independence from Soviet control in foreign policy – by refusing to break relations with Israel in 1967, by condemning the invasion of Czechoslovakia in 1968, by forming a defensive alliance with Yugoslavia, and so on – attracted such favourable attention in the West that the persistence of his nepotistic variety of Stalinism at home went largely overlooked. First cultivated by de Gaulle, the *enfant terrible* of Nato, as a seeming mirror image in the opposite bloc, Ceausescu came to be *lionised* by all and sundry. He has even slept between the crisply ironed sheets of Buckingham Palace.

He is, however, still dependent on the Soviet Union for supplies of oil and gas, thanks to his failure to develop Romania's own oil industry; and also increasingly dependent on the Soviet Union and other Comecon countries as an export market – partly because of Romania's decreasing ability to produce goods that are competitive in the West, partly because his own pride incites him to reduce his dependence on Western countries now that they have begun to show an interest in his human rights record. Hence his abdication of Most Favoured Nation status in the US last February, in order to avoid submitting his human rights performance to official US scrutiny. Hence, too, his determination to repay Romania's foreign debt even at the price of starving industry of investment and the population of consumer goods.

That policy raises the question whether the West might not best help the suffering Romanian people by suspending the debt, or refusing repayment of it. But apart from the procedural difficulties involved, and the moral problem of rewarding such a regime financially for its iniquity, there can be little certainty that Ceausescu would use extra financial resources for the population's benefit. Might he not rather choose to speed up his manic building programme and "sistematisare" (destruction of villages and their replacement by collective farms with tower block housing)?

A better option for the West would be to refuse to buy the exports with which Romania is earning the hard currency surplus it uses to repay the loans – or at any rate to boycott those Romanian products, such as meat, grain and other foodstuffs, which the Romanian people clearly needs far more acutely than do its Western customers, and which are being exported at artificially low cost not by the choice of the producer but by the whim of the state. The objection raised against economic sanctions on South Africa – that the exploited population would itself be the first to suffer – could hardly apply in this case.

Until recently such a strategy would have met another objection – that it is contrary to Western policy to force an East European country into closer dependence on the Soviet Union. That objection certainly had some force in the case of sanctions against Poland after 1981, when the US was ostensibly seeking to punish the Jaruzelski regime for being too subservient to the Soviet Union. But Romania in 1988 could only benefit from being subject to greater Soviet leverage.

It is true that Mr Gorbachev has so far carefully avoided any public criticism of Mr Ceausescu, even decorating him with the Order of Lenin and allowing him a place of honour at last month's Warsaw Pact summit. But then it is hardly to be expected that the Soviet leader would go about overtly undermining his allies at a time when he has so much trouble at home. Probably these gestures are part of a strategy intended to increase Soviet influence over the Romanian regime.

That influence would surely be used, once it is strong enough to be usable, to dissuade Mr Ceausescu from proceeding with policies which are not only in glaring contradiction to those now being applied in the Soviet Union, but also a hindrance to the progress of East-West detente and disarmament. They are also – through the tension they are causing in Hungary – a grave threat to the cohesion of the Warsaw Pact itself.

FINANCIAL TIMES
Tuesday August 9 1988

Faith behind the Japanese spirit

Carla Rapoport examines the religions of a workaholic nation

SUMMER holidays in workaholic Japan are not an institution. But for a few days in August, most Japanese take a break to celebrate O-Bon, the Buddhist festival dedicated to honouring one's ancestors.

Although more and more Japanese are celebrating O-Bon on the beaches of Hawaii, most people still go back to family homes in rural Japan. There, they set out delicious meals for their ancestors' spirits and enjoy a family reunion similar to those celebrated by Europeans at Christmas.

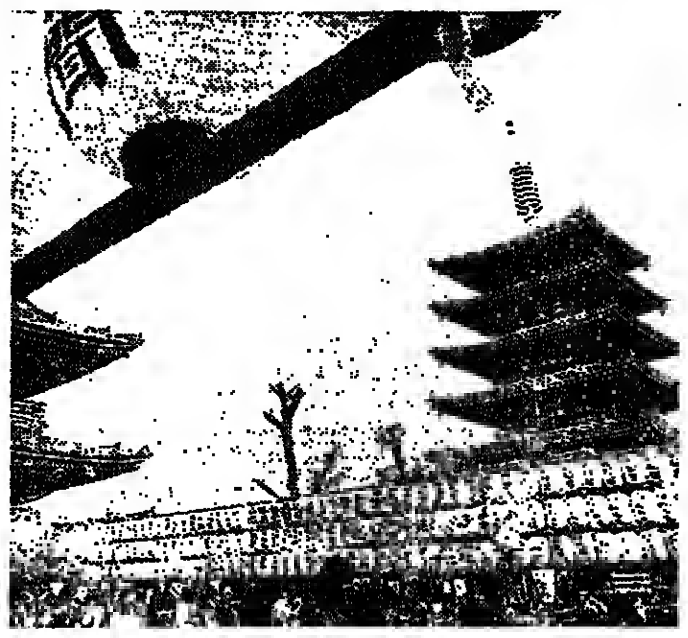
For most Japanese, this will be the only regular religious ceremony they will observe, with the exception of a brief visit to a Shinto shrine around New Year's Day. Except for weddings and funerals, the Japanese seldom make use of their many thousands Shinto shrines and Buddhist temples.

None the less, these two religions, Buddhist and Shintoism, still cut to the heart of life in modern Japan. The Japanese may not practice their religions much, but the spirit of these religions infuses every aspect of Japanese life, even corporate life.

"Japan is the only industrialised country in the world which still has its own primitive folk religion intact. Why? The main reason is that it has been so intrinsically connected to each person's feeling of being a Japanese. Shintoism is being Japanese," says Prof Jan Swyngedouw, editor of the Japanese Journal of Religious Studies and a professor of Japanese culture and religion at Nanzan University in central Japan.

That feeling, he explains, contributes to the strong sense of belonging and responsibility that a Japanese feels for his family, community and employer.

In the rapid breakdown of rural communities over the last decades, Prof Swyngedouw believes corporations have taken over the role of the community in many Japanese workers' lives. "A kind of company-faith can be found which in many points resembles the faith of people in traditional



The outward face of Japanese religion: crowds at the Asasaka Kannon temple in Tokyo

society," he wrote in a paper on Religion in Contemporary Japanese Society.

The sacredness of these beliefs, he argues, "can only be maintained by regular celebrations which glorify the work ethic and strengthen the communal bonds between workers and management," he states.

These celebrations, he says, are on the increase. For example, Japanese tradition places the Inari, or fox god, as the patron diety of business. As a result, nearly every shop in Japan has an Inari shrine tucked away somewhere. Big companies also choose their own god, sometimes the fox, sometimes another diety.

Buddhism, although not indigenous, has also been adapted by the Japanese to blend into Shinto traditions in a complementary manner. Japan's brand of Buddhism, for example, celebrates work as divine.

"Unlike Christian societies, where work is a necessary evil, we believe labour is an act of God, that working allows us to become closer to God," says Mr Taijun Tomobe, a Buddhist monk at the Myokeiji Temple in Yamanashi prefecture.

"Western people believe that the sweat of the brow should only be on the forehead of a cow or horse, that humans should only control these sweating animals. In Japan, we believe that this kind of sweaty work is a virtue. We should not desire as much as we want, but be content with what we have," says Mr Tomobe.

Mr Tomobe's sentiment may not represent those of all Japanese, but it is true that a surprisingly high proportion of Japanese subscribe to both the Shinto and Bhuddhist traditions, at least nominally.

Indeed, as the Ministry of Education solemnly points out in its official statistics, Japan has 186m people belonging to various sects in Japan. This is despite the fact that the latest census counted only 121m people in the country. According to the government, 31m Japanese are Shinto followers while 86m are followers of Buddhism, fewer than 1m are Christians and other religions have about 8m followers.

"We have a lot of double memberships here. This puzzles foreigners, especially Europeans," saye Prof Noriyoshi Tamaru, who is head of religious studies at Tokyo University. "Membership for Christian religions is quite strict. But Buddhist and Shinto believers are not so strict about their beliefs. The two religions here have a kind of division of labour, a kind of symbiosis," he says.

Essentially, Buddhism has been allotted death and the dead. For example, newborn Japanese babies are blessed in a Shinto shrine, young people are married in a shrine, but the dead are buried in a Buddhist cemetery.

Indeed, very little use is made of the many lovely Buddhist temples around Japan, except by tourists or funeral parties. None the less, unlike other Asian countries, there has been extremely little growth in Christianity in Japan, despite the large and growing number of missionaries in the country.

According to Prof Swyngedouw, the answer to this is simple. "Christianity is too rigid, too strict. The Japanese are tolerant, within limits, of new ideas, as long as they don't disturb the harmony of the country and its people. Christianity is too individualistic for the Japanese."

Further, he points out: "The Japanese are already saved. They are a sacred race. It is understood, in their mythology, the traditions of Shintoism, that they descend from God."

Prof Tamaru concludes: "Taken together, Japan's religions have contributed to the consolidation of ties between people, in their home, their community and their business. They supply people with a feeling of being at home, no matter where they are. So, in that sense, our religions have contributed to the nourishing of the communal spirit which is said to be one of Japan's major strengths."

SPECTRE OF NATIONALISM STALKS SHINTO SHRINES

IT WAS following a visit to one of Japan's best-known Shinto shrines, the Yasukuni Shrine, that Mr Seisuke Okuno, a Cabinet minister, let loose with a blast of nationalistic, pre-war propaganda that led to his resignation earlier this year.

"In the 40 years since the Second World War, Japan has degenerated into a servile nation abjectly repeating 'We are sorry,'" he argued. He accused Japan of accepting "warped historical facts concocted by foreigners" and "the total negation of the nation's priceless myths and legends".

Immediate international criticism forced Mr Okuno to resign, but the move was not taken in disgrace. Yasukuni Shrine, built in the last century to honor those who died for their country, later became the place where the souls of Japan's war dead were enshrined. Those now include the souls of Japan's Second World War dead, including some convicted war criminals.

This incident has given rise to much soul-searching by younger Japanese (Mr Okuno is over 72). Most Japanese in senior government positions, for example, maintain a steady eye on the possible re-birth of the paranoid sentiments which led to the last war. Politicians, they point out, care little about the effects of their comments outside Japan.

The Okuno incident, however, has alerted most Japanese, who pay little attention to religion, to the fact that Shintoism is seen outside Japan as a more pernicious influence than it is seen domestically.

"We think Shintoism is not promoting nationalistic ideas today. We used to be controlled by the Government before the war. Now, we are governed by ourselves. Now, we are educating and promoting the traditional ways of thinking. Keeping the Japanese traditions and spirit alive in a positive way," says Yoshinari Mouri, a priest at the Meiji Shrine in Tokyo.

But as Mr Nozumo Nakaoka, editor of Tokyo Business Today, wrote in a recent editorial: "The spectre of Shintoism is still stalking the nation even after more than 40 long years since the war. A considerable share of the ruling party members give at least spiritual support to the old state religion." Not only Japan, but the rest of the world, will be watching that spectre closely over the next several years.

China puts silk trade in a tangle with price rise threat

By Alice Rawsthorn in London

THE world silk trade, which traces its origins to the military conquests of Alexander the Great in the fourth century BC, has been flung into crisis by the threat of a sudden rise in the price of raw silk from China.

Silk has travelled along the "Silk Road" from China to the West for centuries. The silk trade even survived the Chinese Revolution. The international silk industry has since established a pattern of ordering raw silk through the China National Silk Import and Export Corporation.

Yet in recent months supplies of raw silk from China have become increasingly scarce. The corporation has now announced an increase in the price of all the raw silk ordered before June this year.

It is common practice in the silk trade to place orders for shipments, at an agreed price, months or even years in advance. The Chinese demand that overseas customers pay prices higher than those agreed in their original contracts could involve increases of up to 50 per cent.

China is the world's chief source of raw silk. It was discovered there more than 4,000 years ago when, so the story goes, the Empress Hsi Ling saw a silken thread unravel from a silkworm's cocoon after it fell from a mulberry bush into her tea.

Alexander the Great's army opened up the world silk trade after the conquest of Asia in 334BC. The silk industry of today is based in the historic centres of Como in Italy, Lyon in France and Zurich in Switzerland. The only other significant area of production is in Japan, where silk is used to make traditional kimonos.

These industries are almost wholly reliant on supplies from China. But in the past year or so supplies have been disrupted following a period of heavy investment by the Chinese in silk cloth production.

The growth of domestic demand in China has restricted the availability of raw silk for export and fuelled a price rise of about a third in the past 12 months.

Last summer the European silk industry lodged complaints against the "dumping" of Chinese cloth. This summer it has rattled off protests to China at the threatened increase in prices.

Yet few silk companies are confident that the silk trade will stabilise. At best, they are resigned to paying higher prices to secure supplies. At worst, they face a future for which their contracts could be broken again and again.

THE LEX COLUMN

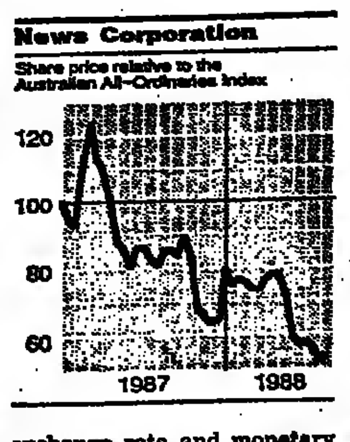
GrandMet at the check-out desk

Grand Metropolitan's decision to get rid of Inter-Continental Hotels has the kind of logic about it that almost tempts one to suspicion. For if cash sitting idly at the bank can really earn four times the return which GrandMet managed from one of the world's premier hotel brands last year, then one can be forgiven for wondering why it has not been allowed to do so sooner.

Yesterday's market certainly seemed ready to give GrandMet the benefit of the doubt on the move – though if chairman Allen Sheppard's arithmetic had been taken at face value, it ought to have been worth more than five per cent on the share price. He thinks the bidding should start at £1.5bn; and assuming anyone else is of a like mind, the sale could increase earnings per share by well over 10 per cent next year.

At least three things could interfere with that, though. The sale could fall through – probably the least likely outcome, given the care given to lining up suitors in advance. The price could disappoint – though it is difficult to see how Mr Sheppard can lose on this issue, as anything over around £500m would be non-dilutive. Or he could spend the proceeds straight away on something huge and unwieldy.

Everything GrandMet has said recently suggests the company is considering a major acquisition; but just because Mr Sheppard thinks now is the time to sell the Inter-Continental does not mean he also thinks it is time to buy Cadbury Schweppes. GrandMet probably still needs a cognac, and/or a champagne; possibly a major foods group to unite its discrete UK and US foods interests. But if the Martell battle is anything to go by, price will be very much an object.



exchange rate and monetary policy do not seem painfully in conflict. Even though sterling at 3.21 is well above levels which prompted base rate cuts just three months ago, much has changed since then. The recent rises in interest rates have done nothing to stop the consumer spending – indeed, rates may need to rise further still before any real effect is felt – and a little tightening via the exchange rate is probably welcome. Moreover, the strength of the dollar has taken the pressure off the pound, which on a trade weighted basis is much weaker than in the spring; its strength against the EMS is mainly a measure of D-Mark weakness.

The danger in raising rates now is that the foreign exchange markets will view it as a riskless invitation to buy sterling. However, yesterday's activity suggests that those who are after a one way market have their sights set more firmly on the dollar.

Markets

The timing of yesterday's half point rise in base rates may have been a mystery, but the City was surely wasting its time trying to fathom it. Perhaps it was the rise in the dollar above 1.70, or the need to clear the decks for next week's gilt auction, or the prospect of horrific money supply numbers next week, or even Nigel Lawson's summer holiday. Whatever the trigger, the important point is that the move demonstrates the Government's resolve to fight inflation, even if it means shifting its targets for sterling.

At the moment, however,

News Corporation

Mr Rupert Murdoch has rolled the dice once again, betting the near equivalent of his company's total market capitalisation by purchasing what he grandly describes as the "most valuable and prized publishing properties in the world". He has always been a maverick on the international publishing circuit, but his $3bn acquisition of Triangle Publications is a move which will surely test the nerve of even his most ardent stock market follower. It would be wrong to read any significance into the initial jump in News Corporation's share price.

Even by Mr Murdoch's standards there is an unusual paucity of information about which will strain an already heavily geared balance sheet and dilute earnings. Admittedly, Mr Murdoch has never been particularly worried about high levels of gearing in the past, and while a price of 14 times cash flow may look expensive there is an understandable attraction about getting hold of a near monopoly, especially since the next US administration may not be as prone to turn a blind eye to similar swashbuckling moves.

While Triangle should provide a stable and growing cash flow, it is hard to see how this can offset the costs of servicing the $3bn debt. Consequently, the big question is what will Mr Murdoch have to sell to keep his bankers happy. The sale of News America's US TV operations – albeit at a loss – would be a natural and welcome development, but would probably struggle to keep its global strategy intact, and shareholders can only hope that one day Mr Murdoch's US vision will match the success of his UK strategy.

RHM/Goodman

For all its 166-page length, Goodman Fielder's formal offer for RHM does surprisingly little to carry the argument forward. A pro-forma balance sheet is provided, but it carefully bears out Goodman's own contention that balance sheet gearing is irrelevant here; the ratio can be calculated at 200 per cent, 250 per cent or infinity, depending on the treatment of goodwill and the convertible. And after all, the feasibility of the deal rests not on the valuation of assets, whether tangible or intangible, but on the cash which they can generate to service the debt. The initial cash cover of twice sounds fairly tight, but it is impossible to be sure; the assumptions on which the model is based are simply not available.

But then, just about the only people whom this need not concern are RHM's shareholders. From their viewpoint, the deal might superficially seem to be over, with the price of 452p – 14p below the offer – reflecting no more than the discount attributable to time value. In fact, it is more likely a fortuitous balance between hopes of a counterbid and fears of a referral. Much depends on how nervous the institutions can be made to feel; if they start to top-slice their holdings, thus shaking loose stock into Goodman's hands, the game could be up without a struggle.

Lawson pushes UK bank base rates higher

Continued from Page 1

Factory-gate prices' inflation fell to 4.5 per cent in July compared with 4.6 per cent in June, while figures for final June retail sales showed that the volume of retail sales had not grown between May and June. Against these were figures for consumer credit which showed a record quarterly rise in the amount of credit outstanding.

Officials said that yesterday's figures did not change the prevailing official view that the economy was growing too rapidly. The Treasury pointed out that demand was growing and house price inflation continued unabated.

It said the rate of growth of its only targetted monetary aggregate, M0, the narrow measure of money, was growing outside its target range of 1 per cent to 5 per cent

The Treasury said the decision to raise rates was "a signal to borrowers of the Government's determination to maintain a tight monetary stance".

Swedish Greens set to enter parliament for the first time

By Sara Webb in Stockholm

WITH THE environment emerging as one of the key issues for Sweden's affluent voters in the run-up to the September 18 general election, the Green Party looks set to enter parliament for the first time. There, it could hold the balance of power between the Socialist and non-Socialist blocs.

Opinion polls in the past year have frequently shown the Greens topping the 4 per cent threshold required to enter parliament, where they say they will support neither side, but "tackle each issue as it arises."

The party kicked off its election campaign this week with a 10-day train tour around the country, pressing for higher investment in the national railways which would ease road traffic and reduce pollution, lower income taxes coupled with more flexible working patterns for the individual, and an isolationist policy so far as relations with the European Community go.

It was no coincidence that the Green train paused for breath at Gävle, the town on the east coast where radioactive fall-out levels from the Chernobyl disaster two years ago were among the highest. The Greens owe much of their present appeal to renewed concern over the environment in the wake of Chernobyl.

The party wants people to have more freedom of choice as regards their their working lives. It favours a shorter working week, and lower income taxes and employers' levy (currently 37 per cent of a person's salary), while at the same time preserving a generous welfare system through higher taxes on energy and raw materials.

The Greens are also in favour of stimulating small businesses and enterprises, while limiting the concentration of power in much of Swedish industry, particularly the forestry sector. They promise to introduce measures to decentralise the ownership of large companies and limit their influence while discouraging speculation in shares and real estate through higher taxes.

At a time when the Swedish Government is working on plans for closer co-operation with the EC in the run-up to the introduction of a single market in 1992, the Greens are strongly critical of the loss of independence this would entail for domestic policy-making, especially on such issues as pollution control and jobs. They are very critical of EC regulations on pollution control which are not as strict as Sweden's, and claim that Sweden's position on environmental protection could be compromised.

They point out that the free movement of labour between Sweden and the EC would encourage an influx of foreigners.

Accord reached on Angolan ceasefire

Continued from Page 1

about the impartiality of the United Nations and is insisting that Mr Perez de Cuellar go to Pretoria as soon as possible to discuss all the details of implementation of Resolution 435.

Pretoria's doubts over the UN's impartiality stem partly from the UN description of Swapo as "the sole legitimate representative of the Namibian people" and the decades of public condemnation of South African policies at the UN.

Pretoria's fear is that elections under UN auspices would in effect guarantee a political victory for Swapo which would have severe repercussions on South African internal politics.

Mr Perez de Cuellar is no stranger to the Namibian saga, having visited South Africa and Namibia in 1983.

Namibia is a former German colony and League of Nations trust territory which has been ruled illegally by South Africa in defiance of the United Nations for the past two decades.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	27	81	Dubrovnik	S	29	84	Malta	S	30	86	Rhodes	S	31	88
Algiers	F	30	86	Edinburgh	F	29	65	Manchester	S	24	75	Rio de J'o	F	29	24
Amsterdam	F	27	81	Faro	S	28	82	Manila	C	32	90	Rome	F	33	91
Athens	F	24	93	Florence	S	33	91	Melbourne	C	10	50	Salzburg	S	27	81
Bahrain	F	41	106	Frankfurt	F	31	88	Mexico City	C	24	70	San Francisco	C	20	65
Bangkok	F	25	91	Funchal	S	24	75	Miami	C	31	88	Seoul	C	23	81
Barcelona	S	29	82	Geneva	F	29	84	Milan	S	29	84	Singapore	R	31	88
Beirut	F	32	90	Gibraltar	F	25	77	Montreal	C	28	82	Stockholm	F	23	73
Belfast	C	21	70	Glasgow	F	26	79	Moscow	C	20	68	Strasbourg	F	28	82
Belgrade	F	30	86	Guernsey	C	17	63	Munich	S	27	81	Sydney	F	13	55
Berlin	S	25	77	Helsinki	C	19	66	Nairobi	C	17	63	Taipei	C	34	93
Biarritz	C	22	72	H. Kong	F	30	86	Naples	S	31	88	Tangier	S	29	84
Bombay	F	30	86	Innsbruck	F	27	81	Nassau	F	33	91	Tel Aviv	F	31	88
Bordeaux	C	25	77	Inverness	F	25	77	New Delhi	R	25	93	Tenerife	S	27	81
Brussels	S	25	77	Islamabad	C	37	98	New York	C	33	91	Tokyo	S	31	88
Budapest	F	27	81	Istanbul	F	29	84	Nice	S	29	84	Toronto	-	–	–
B. Aires	C	14	57	Jakarta	R	32	90	Nicosia	C	39	102	Tunis	F	31	88
Cairo	F	34	90	Jersey	S	23	73	Oporto	S	21	70	Valencia	S	30	86
Cape Town	-	–	–	Jo'burg	F	22	72	Oslo	F	25	77	Venice	S	29	84
Caracas	C	26	79	Lima	R	16	61	Paris	F	30	86	Vienna	S	27	81
Casablanca	S	25	77	Lisbon	F	26	79	Peking	C	26	79	Warsaw	F	20	68
Chicago	R	34	93	London	F	28	82	Prague	S	27	81	Washington	S	26	79
Cologne	F	29	84	Los Angeles	F	27	81	Reykjavik	R	13	55	Zurich	F	20	79
Copenhagen	S	31	70	Luxembourg	S	25	79								
Corfu	S	32	90	Madrid	S	32	90								
Dallas	-	–	–	Majorca	S	30	86								
Dublin	F	18	64	Malaga	S	27	81								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Shooting of Soviet jet raises tension

Continued from Page 1

Geneva accord providing for a Soviet withdrawal from Afghanistan, to "influence Pakistan appropriately".

Mr Shevardnadze seems to be aiming both to stick to the Geneva timetable for withdrawal if possible, and to clasp Afghanistan closer to the Soviet Union through joint enterprises, loans and the provision of training.

He told journalists in Kabul that a programme of aid to Afghanistan, running until the year 2000, would be signed in the autumn when Mr Mohammad Hassan, the Afghan Prime Minister, visited Moscow.

Pakistan has strongly rejected charges that its aid to the guerrillas is contrary to the Geneva accords.

Mr Yaqub Khan, the Pakistani Foreign Minister – who had a frosty meeting with Mr Shevardnadze in Moscow last week – described Soviet charges that his country was abetting international terrorism as "unworthy of the new Soviet outlook and approach in foreign affairs".

Rocket attacks continue on Kabul and other Afghan towns, three of them destroying partially completed buildings on Sunday, the last day of Mr Shevardnadze's visit. The Afghan Government estimates that 200 rockets have fallen on the capital, prompting several embassies to reduce staffs.

About 3.3m Afghan refugees now live in more than 330 camps in Pakistan, many suffering from severe depression and exhaustion, according to medical teams working in the camps.

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday August 9 1988

INSIDE

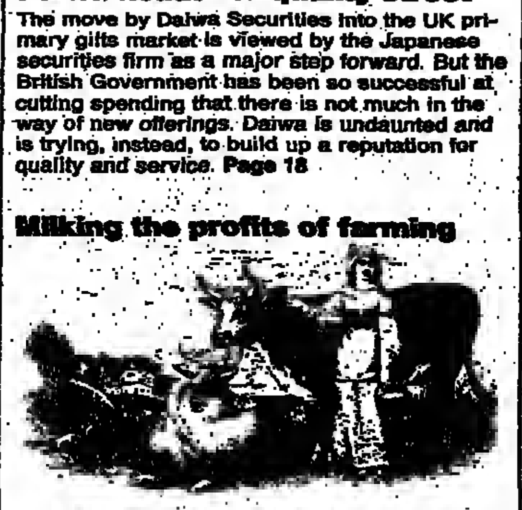
Akzo finds the right chemistry for 1988

Akzo, the Dutch chemicals company, is keen to prove it has a future worth fighting for and latest figures seem to back this up. Last week it announced record earnings for the second quarter of 1988, and said earnings for the year were likely to exceed last year's Fl 669m ($314m) by a significant amount. Page 17

Daiwa heads for quality street

The move by Daiwa Securities into the UK primary gilts market is viewed by the Japanese securities firm as a major step forward. But the British Government has been so successful at cutting spending that there is not much in the way of new offerings. Daiwa is undaunted and is trying, instead, to build up a reputation for quality and service. Page 18

Milking the profits of farming



Time stands still at Rachel's dairy — or so it seems. Within its white walls dairymaids pour big jugs of fresh milk into butter churns and yoghurt pots as Guernsey cows graze in outside. As more people demand chemical-free food, organic farmers have had to pay increasing attention to processing and marketing. Bridget Bloom looks at the future of organic farming. Page 30

Erskine's strategy pays off

Erskine House Group, UK copier and fax machine distributor, is poised to make its first continental European acquisition, probably in West Germany. The Erskine strategy, mapped out by chairman Brian McGillivray, has transformed the company from operator of bureaux de change and security services to office equipment distributor in little more than five years. Page 19

Pohang looks for new markets

Pohang Iron and Steel, South Korea's state-owned steel manufacturer, has been called the most efficient producer of crude steel in the world. Yet it is about to invest $6.4bn in a programme to modernise, improve capabilities, and diversify — possibly out of the steel industry, says chairman Tae Joon Park (left). Page 16

HK mulls over debt issue

The Hong Kong Government, which has not issued debt for several years thanks to comfortable budget surpluses, is understood to be contemplating the introduction of a Treasury bill market. Users of the local debt markets have welcomed this new departure for the Government. Page 18
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Market Statistics

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Volkswagen	251	+	4
Degussa	363.5	+	4
Linde	690	+	5
Falls			
Nixdorf	454	−	43
Schering	520	−	5
Feldmuehle	277.5	−	2.4

PARIS (Frs)

Rises			
Synthelabo	400	+	20
Acc.D'Ent.	903	+	23
Falls			
CCF	133	−	5
Colas	515	−	13
Screg	579	−	12
Skis Ross.	936	−	14

NEW YORK ($) at 12.30

Rises			
Hilton	71⅜	+	3⅝
Hershey	24¾	+	¾
Sherwin W	30	+	⅞
Falls			
Arts	28⅞	−	10⅝
Envirodyne	39⅜	−	4⅝
Organogenesis	15⅜	−	2⅜

TOKYO (Yen)

Rises			
Mitsubishi Mng	756	+	51
Sankei Bldg	1460	+	90
Falls			
Maruzen	1100	−	70
Kanto Bank	5320	−	280
Marui Dept.	1090	−	50

LONDON (Pence)

Rises			
Audio Fidelity	144	+	7
Brit. Aerospace	508	+	14
Cadbury Schw.	385	+	7
Courts (Frn) Ord.	408	+	10
Foster (J.)	180	+	7
Grand Met.	522	+	26
Jelland's	76	+	6
Marshall's Hal.	255	+	8
Priors Lds.	142	+	5
Standarde	118	+	5
Schroders	950	+	80
Scot. & Newcastle	337	+	10
Shaftesbury	186	+	11
VSEL	468	+	10
Waddington (J.)	213	+	6
Falls			
Brent Walker	403	−	24
Courts (Frn) A	287	−	13
Pavilion Lds.	333	−	22
Royal Ins.	403	−	5
Vaux	896	−	12
Vickers	177	−	5

Value for money in four-sided Triangle

Roderick Oram in New York and Chris Sherwell in Sydney examine reactions to Rupert Murdoch's $3bn purchase of the US publisher

Publishing executives in the US and Wall Street analysts were initially stunned yesterday by the $3bn which Mr Rupert Murdoch, the international media magnate, is to pay for Triangle Publications, publisher of TV Guide, the best-selling US magazine, and three other titles.

But on reflection, although the deal is by far the largest ever takeover in US publishing, industry observers said that the privately-owned US magazine group was probably worth the money.

The deft deal cements the position of News Corporation, Mr Murdoch's main company, as one of the global giants of communications, with interests spanning newspapers, magazines, televisions and book publishing across three continents.

Tactfully termed by analysts as an "aggressively financed" company, News Corp has paid for its heady expansion through the 1970s and 1980s with a mountain of debt. The purchase of Triangle raised inevitable fears among analysts that Mr Murdoch was once again straining News Corp's balance sheet.

But from the skimpy details available about closely-held Triangle, its impressive collection of magazines are known in the US industry as money machines which should pay off handsomely for Mr Murdoch.

Moreover, his enhanced leverage with advertisers plus other economies of scale should greatly improve the overall financial position of his US magazine publishing business.

"It makes sense strategically for Murdoch," said Mr Mark Riely, an analyst with Eberstadt Felming in New York. "The price is not over the top."

Until he reaps these rewards, however, analysts expect Mr Murdoch will have to shuffle his assets a little. He said yesterday that the $320m proceeds from last week's sale of a Hollywood building would help finance the purchase.

But while Mr Murdoch is probably highly reluctant to sell any core holdings or expensive start ups like his US television network, he might consider the sale of some of his investment positions.

His 20.5 per cent stake in Pearson, the Financial Times' parent, was mentioned frequently on Wall Street yesterday though analysts admitted they had no idea of Mr Murdoch's true intentions regarding Pearson.

Triangle, built up by 80-year Mr Walter Annenberg from a hugely successful publishing business he inherited from his father in the early 1940s, is thought to have revenues of about $700m a year. Its pre-tax operating cash flow and income probably totals around $200m a year, according to Mr Richard MacDonald, an analyst at First Boston.

Thus, Mr Murdoch is paying about 14 or 15 times current cash flow for one of the premier US magazine publishing groups. If the deal was financed entirely by debt, interest expenses of some $300m a year could be covered by Triangle's cash flow within two-and-ahalf years, assuming current industry growth rates.

Further, the price is in line with other takeovers in the industry such as April's $712m purchase by Hachette, the French publisher, of Diamandis Communications. This is largely a stable of magazines formerly owned by CBS, the US broadcasting group.

But figures alone do not describe the attraction of Triangle. "It is a franchise which cannot be duplicated" with a long money spinning life ahead of it, said Mr MacDonald.

For all its value, Triangle consists mainly of only four magazines: TV Guide, Seventeen, Daily Racing Form and Good Food. Spotting a new market generated by the spread of television after the war, Mr Annenberg started TV Guide in 1953.

Offering televisions schedules and news and features abont stars and programmes it is, at 17.2m copies a week, the largest circulation magazine in the US, beating Readers Digest by more than 1m.

TV Guide remains a formidable force despite the attempt of newspapers across the country to beef up their television information. Responding to the growth of cable television, TV Guide has moved into listings for cable channels.

It had advertising revennes of $162m in the first half of this year, according to Media Industry Newsletter. Combined advertising and cover price revenues probably generate pre-tax profits of around $100m a year, making it worth some $1.5bn.

Seventeen is a fashion magazine, started by Mr Annenberg in the mid-1940s, aimed at older teenage girls and young women. Known as "The Acne and the Ecstasy" it remains an influential arbiter of a style and popular culture among young women despite encroachment from publications auch as Mr Murdoch's Elle.

With circulation of 1.8m a month, Seventeen is thought to generate pre-tax profits of about $10m on annual revennes of about $150m.

The financial power of Daily Racing Form, the horse racing bible, is an almost complete mystery to the US publishing industry. But it may be worth $1bn on its own given its large cover price and monopoly. The fourth member of the stable, Good Food, is an also ran in comparison to the other three. Meanwhile, in Australia, where News Corp is based, the fact that the acquisition is a move into print, and specifically into magazines, was seen as a major plus. Analysts agree that no one knows the world's print media business better than Mr Murdoch, while breakdowns of News Corp profits show magazines as a major contributor to profits in the US and in Australia.

As one Sydney analyst gushed yesterday: "These are supreme prime-grade media assets, and Mr Murdoch is a supreme owner and manager of print media assets."

Despite this optimism, however – reflected on the Sydney stock market where New Corp shares were the day's highest climbers - the stock is still well short of 1988 highs at yesterday's closing price of A$11.

Over the past year the share price has slipped from a regular second or third in the Australian market capitalisation table to tenth last week. In the same period News Corp shares have underperformed the Australian industrial index hy no less than 32 per cent.

Analysts say this is a reflection of tbe group's vulnerability to perceptions about its earnings quality. Those spring in turn from difficulties with the US television operations, the fact that foreign exchange gains have loomed as large contributors to the group's profits performance and the strength of the Australian dollar.

Last week they were calling News Corporation a "buy" – in one case "an excellent medium-term purchase opportunity." Now Mr Murdoch has put them on their guard again.

Andrew Hill writes from London: Pearson shares rose 4p yesterday to close at 790p, following the announcement of first half pre-tax profits of £81.7m from the publishing, banking and industrial group, an increase of nearly 60 per cent on the equivalent period.

Pearson results, Page 19

Royal and Victoire set date for decision on merger

By George Graham in Paris

ROYAL Insurance and Groupe Victoire, the British and French insurers, will decide next week whether to press ahead with merger plans which would create one of Europe's largest insurance groups. This follows months of speculation about possible links between the two companies.

Royal, the biggest of the UK's five quoted composite insurers, has been engaged in talks with several European insurance companies, including La Fondiaria in Italy, but its discussions with Victoire go beyond mere co-operation. Both companies refused to comment yesterday.

If the talks are successful, Royal would absorb the insurance activities of Victoire, France's second-largest private sector insurer. Victoire would become Royal's largest shareholder and take over the management of the combined group's activities in continental Europe.

Discussions have been hampered by disagreements between the two sides over the weight Victoire should have in the combined group. Royal initially viewed Victoire as barely a sixth of its size, in terms of premium income.

An audit conducted at the request of the two companies by UK accountants Arthur Andersen, however, valued Victoire at around 35 per cent of Royal's size, because of its substantial asset base.

The idea of a single shareholder holding more than a third of Royal's capital and of French directors occupying a third of its board seats is understood to have caused considerable consternation among existing British board members. The UK insurer's capital is at present widely dispersed.

Royal hopes, through current talks, to reduce Victoire's stake by excluding some of the French group's property holdings from the deal and by paying for the insurance interests partly in non-voting stock.

This proposal has been unwelcome to Victoire, which fears a non-voting stake could tie its hands in the event of a future bid for the combined group.

Victoire is controlled by the Suez banking and investment group, indirectly through Compagnie Industrielle, which holds 48 per cent of the insurers' votes, and directly through a 34 per cent stake. It made net profits of FFr1.26bn ($197.5m) last year on consolidated turnover of FFr14.3bn.

The group has always been cautiously managed, however, paying low dividends and building up large financial reserves, including a sizeable property portfolio.

Victoire's legal solvency ratio, with partly-revalued capital amounting to 79 per cent of net premium income, is comfortably in excess of the legal minimum of 16 per cent and is beaten only by AGF in the French insurance industry.

Victoire had 46 per cent of its gross premium income in the accident insurance sector last year and 42 per cent in life assurance, with reinsurance accounting for 11 per cent.

The group has been increasing its market share in the life business, the fastest growing segment of the French insurance market. In the non-life sector, it has tended to charge relatively high premiums, thus abandoning market share to some state-owned companies which have used their strong capital gains to win business.

Dutch plan $351m flotation of state chemicals company

By Laura Raun in Amsterdam

DSM, the Dutch state-owned chemicals company, is ready to go public early next year in a Fl 750m ($351m) privatisation that would be the Netherlands' biggest ever share flotation.

Mr A.P. Timmermans, board member in charge of finances, said yesterday that the exact timing would depend on parliamentary approval and market conditions. No hitches are expected in the planned sale of about one-third of DSM but final details still must be worked out.

By that time DSM expects to have a record year behind it. Yesterday the company also reported that first-half earnings soared 27 per cent from Fl 247m to a record Fl 314m.

This reflected wider profit margins and buoyant sales, especially in chemicals and polymers/hydrocarbons. For 1988 DSM expects record profits of at least Fl 520m (Fl 442m).

DSM's results closely reflect those of Akzo, the Netherlands' other major chemicals company, which also benefited from a robust economy. Prices as well as sales in the chemicals industry are generally firm.

The DSM privatisation is expected to draw keen interest at home and abroad. But institutional investors will be the target, rather than "Jan Modal," the Netherlands' answer to "Sid" used in the UK advertising campaign for the privatisation of British Gas.

The Dutch Government has never owned many companies so there has been less opportunity to promote "people's capitalism" and less reason to fear re-nationalisation.

DSM, formerly known as Dutch State Mines, is considered quite attractive for several reasons. One is its healthy profit margins, which have resulted from generous investments in production facilities, higher levels than in many publicly traded companies.

An appealing twist is that DSM will get a fixed sum of money each year, around Fl 130m, for its management of the Dutch Government's natural gas activities.

GFW details bid financing cost

By Nikki Tait in London

GOODMAN Fielder Wattie, the Australian food group which is making a £1.72bn ($2.9bn) bid for Ranks Hovis McDougall, UK food group, yesterday revealed that the cost of raising the maximum £2.2bn to implement its offer and provide additional working capital will be around £30m.

The figure is derived from the offer documents posted by GFW yesterday. The bidder has not disclosed the anticipated full cost of the bid, however. Stamp duty would add approximately £6m, in addition to the legal fees and advisory expenses of two UK merchant banks, Samuel Montagu and S.G. Warburg.

In the document, GFW says the combined companies "will form a much stronger international food manufacturing group capable of competing head-on with the largest multinational companies operating in this industry."

It argues that additional value would be created by technological cost advantages, efficient distribution, development of new markets and more flexible sourcing.

It also suggests a historic exit multiple of 19.4 times earnings, represented by its 465p a share cash offer, "is more than generous for a business which ... now appears to be entering a period of profit consolidation and a declining rate of real growth."

Yesterday, RHM hit back at the financing structure, suggesting it would not be in the interests of employees or customers if RHM became "part of a group so heavily burdened with debt, under pressure to sell businesses and assets and directed by a management on the other side of the world".

It also attacked the pro-forma statement of net assets for the enlarged group, which gives shareholders' funds of £771.3m but only after including goodwill of £1.3bn. Even on this basis, gearing would be 250 per cent.

RHM also challenges GFW's remarks about profit consolidation in the UK group, and argues that the exit multiple is historic – the last year-end was September 5.

Hershey sells Friendly for $375m

By Deborah Hargreaves in New York

HERSHEY, the largest US chocolate maker, yesterday announced the sale of its Friendly Ice Cream chain of restaurants to the privately-owned Tennessee Restaurant for $375m in cash.

Hershey tried to cut costs and rationalise operations at Friendly, which owns and operates 850 family restaurants. The unit had revenues of $572m last year, but sales were flat despite new store additions and a 2 per cent price hike.

Mr Richard Zimmerman, Hershey's chairman, said the company is selling Friendly as part of a strategic plan to focus itself as a consumer products company. The move had been widely expected by analysts.

Hershey shares rose ¾ in early trading yesterday to $24¾.

The deal, expected to be completed in three months, will transfer all outstanding Friendly shares to the Chicago-based Tennessee Restaurant.

Tennessee also owns 51 per cent of the Perkins family restaurant chain which operates 330 restaurants in the Mid-West and Florida. The Chicago company said it will run Friendly as a separate division.

Hershey, whose sales last year amounted to $2.4bn, last month agreed to acquire the US confectionery plants of Cadbury Schweppes for $270m. The company also signed a licensing agreement to manufacture, market and distribute Cadbury brands in the US.

Investor group increases Interco offer to $2.6bn

By Deborah Hargreaves in New York

INTERCO, THE St Louis-based consumer products company which is the largest furniture and men's shoes manufacturer in the US, received a higher takeover offer yesterday from City Capital Associated, an investor group.

The bid – at $70 a share or a total of $2.6bn – came as Interco management met to consider a previous offer from the group and a restructuring plan for the company.

In a letter to the company's board, City Capital said that Drexel Burnham Lambert, its financial adviser, was confident of being able to raise $1.38bn of debt or equity financing to help fund part of the new merger proposal.

City Capital, which is led by Mr Steven and Mitchell Rales from Washington, said it remained willing to consider increasing the price per share to be paid to all Interco shareholders.

Analysts believed that City Capital's previous offer of $64 a share or $2.3bn undervalued the company, which saw sales of $3.34bn in its latest fiscal year.

Interco shares rose $3½ in heavy early trading yesterday, to reach $71¾.

The fiercely independant company is discussing a restructuring plan which would involve the sale of its apparel group, paying a special dividend and buying back some stock. The plan, which is seen as an alternative to a merger with City Capital, was being considered before the company received the first takeover offer at the end of July.

Analysts put a high value on Interco because of its well-known brands, such as Florsheim and Converse shoes and its Ethan Allen furniture chain. However, the company's apparel group has been hurt by a recent drop in demand for women's fashion.

City Capital, which already owns an 8 per cent stake in Interco, said it remained flexible about the form of transaction it wished to pursue with the company.

American Brands in $350m suit

By Our New York Staff

A GROUP of institutional investors has sued American Brands, the US tobacco, spirits and financial services group, and E-II Holdings in the US District Court for damages of more than $350m.

The action follows a suit filed by four large investors at the end of June to try to prevent American Brands transferring $1.5bn in E-II bonds to a less creditworthy company, owned by Mr Meshulam Riklis, another leverage buyout specialist.

The suit alleges that American Brands violated Federal securities laws by misrepresenting and omitting material facts when it offered to buy the $1.5bn of E-II notes and debentures last January.

Yesterday's action was taken by 19 investors, including Prudential Insurance, Columbia Savings & Loan and Forstmann-Leff Associates – all involved in the previous suit – which own more than $800m of E-II's low-grade debt securities.

As in the previous action, the plaintiffs contend that when American Brands offered to buy E-II's bonds, it said it would retain the company as a wholly owned subsidiary, selling only a few segments that did not fit in with American Brands' core business.

The investors say they relied on that information to hold on to their bonds but that, while the tender offer was pending, American Brands pursued a secret strategy to sell E-II and its debt to a third party.

The bonds were issued by E-II to finance a takeover attempt on American Brands last year. American Brands responded by taking over E-II, and the bondholders hoped the group's higher credit rating would lead to a rise in the bonds' prices.

The institutions say the transfer of the bonds to Mr Riklis has already wiped $62m off their holdings.

Swiss Life wins battle for La Suisse

By William Dullforce in Geneva

SWISS LIFE and Pension (Rentenanstalt) yesterday won the takeover battle for control of La Suisse, the Lausanne insurance company, even though its bid of SFr12,000 ($7,640) a share was lower than the SFr14,000 offered by the competing Saurer group.

Mr Tito Tettamanti, who controls Saurer, withdrew his offer after the La Suisse board announced that it would refuse to register stock acquired by Saurer on its shareholders' ledger.

The board reiterated its recommendation to shareholders to accept the Swiss Life offer, which values La Suisse at SFr576m compared with the SFr672m of the Saurer bid.

Mr Emile Meyer, chairman, said La Suisse's future would be better assured by Swiss Life, a large insurer promising substantial synergy effects in Europe in addition to Switzerland, than by Saurer, a newly formed industrial and financial group with no experience in the insurance business.

In declining to carry the fight further, Mr Tettamanti said the interests of policyholders could be hurt if he resorted to a long, legal battle against the board's refusal to accord voting rights to shares sold to Saurer. His offer was worth more than 23 times the expected 1988 earnings of La Suisse and valued the company at more than its total 1987 premium income of SFr609m.

Sharp rise at TWA reflects special gain

By Janet Bush in New York

TRANS WORLD AIRLINES yesterday announced a sharp rise in net income in its second quarter, reflecting a special gain relating to a 26-year-old law suit against Mr Howard Hughes, the late multi-millionaire recluse.

Preliminary results showed net income in the second quarter of $97.2m or $2.70 a share, compared with 1987 net income in the period of $52.8m or $1.28.

However, the latest result included a gain of $49.9m in cash arising from the suit, filed by TWA in 1962 against Mr Hughes, alleging mismanagement of the airline when he was the owner.

The payment was made by the Summa Corp, the successor to Mr Hughes' company, although it is still filing an appeal in the Supreme Court after judgment in a Delaware court went in the airline's favour.

Net income in the first half totalled $44.7m or 50 cents a share, compared with a loss of $2m or 96 cents a year earlier.

The airline's operating profit, excluding the special gain, was $106.4m in the quarter, an increase of 10.6 per cent over the year-ago quarter. In the first six months of this year, the airline had operating profits of $98.6m, a 37.2 per cent improvement over a year earlier.

TWA said its operating profits in both the second quarter and first half of the year were the highest ever achieved in the history of the company.

Financier tightens hold over Beijer

By Sara Webb in Stockholm

MR ANDERS WALL, the Swedish financier who controls Beijer Industries, the industrial group, and Munksjö, a diversified forestry company, tightened his grip on Beijer yesterday by buying shares from Munksjö.

The deal, worth SKr330m ($51m), gives Munksjö a SKr65m capital gain and will enable the group to expand in the industrial sector.

Pohang moulds a diverse future

Nick Garnett on expansion plans at the South Korean steelmaker

POHANG IRON and Steel (Posco), the South Korean state-owned steelmaker, plans to invest US$6.4bn over the next four years, most of it in new plant and equipment and in developing businesses other than direct steel making.

Mr Tae Joon Park, chairman of what is the world's sixth largest liquid steelmaking company, said in an interview in London that the aim of the programme was to modernise facilities, improve and expand downstream capabilities and to diversify into new manufacturing sectors.

Posco has already absorbed foreign loans totalling $2.93bn up to last year, of which $1.72bn have been repaid.

Of the total investment programme, which includes the already announced decision to add production capacity to its Kwangyang Bay facility, $3.87bn (61 per cent) will be used on expanding production capacity of downstream operations beyond the hot rolling stage.

A further $900m will be spent on modernising facilities and $330m on moving into new businesses. The balance of $1.1bn is destined for new housing for Posco's workforce, environmental improvements and other "social" expenditure.

Common sense dictated that diversification would be into steel-related sectors, Mr Park added. However, Posco would also look at other types of businesses if it felt these could be successfully run by a steel company.

POHANG Iron and Steel will pay back $278m of foreign debt ahead of schedule this year, AP-DJ reports. Overall earnings for the group – which reported a pre-tax profit of $92m during the first half, up 204 per cent from a year earlier – is projected at $166m this year.

Pohang produced 6.36m tonnes of steel during January and February, up 25 per cent from the same period last year.

Posco has capacity to produce 15m tonnes of liquid steel a year. Expansion at Kwangyang Bay will add 2.7m tonnes to this when the new stage comes on stream, scheduled for January 1991.

With just 19,000 employees and 9,000 contract workers this makes Posco, 34 per cent of whose shares are being floated within South Korea this year, probably the most efficient producer of crude steel in the world.

Mr Park, a 61-year-old former army general who has run Posco since 1973, said the group would have to consider "very carefully" whether to expand Kwangyang Bay further than this.

Domestic demand for steel was growing at 8 per cent a year. South Korean steel demand was forecast to rise to 27.8m tonnes by the time the plant opened, but total production of all Korean steel producers would be 23.5m tonnes.

However, the South Korean steel industry – which includes many small mini-mill operators – was already producing 560kg of steel per head of population, Mr Park said. This might be an appropriate production figure for the country.

Tae Joon Park: more room for investment

If Posco decided to increase production capacity beyond the 17.7m tonnes to which it was already committed, it would probably do this in co-operation with international partners, he added.

The company already ships hot rolled coil to a Californian cold rolling joint venture with USX, the US steel company. In particular, Posco saw the possibility of such partnerships in China, Australia and the US.

Posco is primarily a basic steelmaker and undertakes far less higher value-added finishing work than many other large steel companies.

Mr Park stressed that part of the investment programme would be geared to shifting this balance.

This year cold rolled steel was just 20 per cent of output, compared with hot rolled products. This will be raised to 33.7 per cent by 1992, 25 percentage points of which will be coated steel.

The 33.7 per cent figure is still far behind the average for Japanese steel companies, at 69 per cent. "This means we would still have more room for further value-added products, more room for investment," Mr Park said.

Efficient continuous casting (concast) techniques are also becoming a larger part of Posco's steel production operations. Kwangyang Bay on the south coast is already fully concast. The other big site, at Pohang on the east coast, is 77 per cent concast but this will rise to more than 90 per cent next year.

Japan is the biggest foreign customer for Posco, taking 49 per cent (1.3m tonnes) of its exports last year.

The European Community remains a very small export market, with Posco and other Korean steelmakers exporting 99,000 tonnes to the EC last year, compared with the Community's quota ceiling of 170,000 tonnes.

Du Pont-Toray invests in plant

By Ian Rodger in Tokyo

DU PONT-TORAY, a joint venture of Du Pont, the largest US chemical manufacturer, and Toray Industries of Japan, is investing more than Y10bn ($74.8m) in a plant to produce Kevlar aramid fibre in Japan.

Kevlar was invented by Du Pont in the 1960s and is widely used as reinforcement for tyres, belts and hoses and in advanced composites for aerospace and sports equipment.

Construction of the plant on a site in Aichi prefecture, near Nagoya, is expected to be completed at the end of 1990.

Production capacity will eventually reach 5,000 tons a year, with output being sold in Japanese and other Asian markets.

Du Pont has other Kevlar plants at Richmond, Virginia and at Londonderry in Northern Ireland.

Toray and Du Pont formed their joint venture in early 1985 to develop the Japanese market for Kevlar.

Toray is Japan's leading maker of synthetic fibres. It also has interests in carbon fibres, engineering plastics and pharmaceuticals.

Our Financial Staff adds: W.R. Grace, the US chemicals and natural resources conglomerate, plans to build a plant in Belgium for about $60m.

The plant, which is due to open in 1990, will make fumed silica, used to reinforce silicon rubber and to act as a thickening and reinforcing agent in various other products. It will be built by the European Darex division of Grace Specialty Chemicals.

The group has announced planned capital spending of $400m this year, an increase of more than 60 per cent on 1987, with $160m earmarked for overseas, particularly for the company's Darex division.

CAE Industries edges ahead

By Robert Gibbens in Montreal

CAE INDUSTRIES, the Canadian flight-simulator electronics and aircraft maintenance group, advanced in the first quarter, with net profit for the period ended June 30 at C$7.6m (US$6.3m) or 10 cents a share, up from C$6.7m or 9 cents a year earlier.

Revenues stood at C$96m against C$86m and the firm order backlog was C$505m against C$416m.

The figures are restated to reflect the sale last year of CAE's auto parts division for about C$50m.

INTERNATIONAL COMPANIES AND FINANCE

Akzo pushes for global status

Peter Marsh on a Dutch chemical company's drive outside Europe

Mr Aarnout Loudon, president of Akzo, the Dutch chemicals company, has no wish to sound egotistical when he says: "We would like to be bigger." He is simply pondering on the facts of life in the international chemicals business.

Akzo had sales last year of Fl 15.5bn ($7.3bn), which makes it big by the standards of many industries but medium-sized compared with Western Europe's chemicals giants. In this category are the German trio of Bayer, Hoechst and BASF and Britain's Imperial Chemical Industries, all of which have turnovers two-and-a-half times that of the Dutch company.

Sitting in his large, airy office at Akzo's Arnhem headquarters, Mr Loudon points out the advantages of size. "The more cash flow you have the more money you can invest, not just in plant but in research and development, and acquisitions become easier too."

Another factor about large size is its tendency to protect companies from potential predators. Akzo, which is far from a stock-market favourite and in the past decade has had a history of disappointing financial results, has been the subject of continual speculation about being a takeover target.

Mr Loudon acknowledges the rumours but says the company has yet to receive a formal approach from a potential suitor. The Akzo president, an aristocratic Dutchman of Scottish descent, also says the company would fiercely oppose any takeover bid.

Mr Loudon, who trained as a lawyer and who took on the top job at Akzo in 1982, is keen to portray his company as one with a future worth fighting for. His optimism lies in what appears to be an encouraging turnround in Akzo's financial position. Last week it announced record earnings for the second quarter of 1988, and said earnings for the year were likely to exceed significantly last year's Fl 669m. A Fl 273m gain on the sale of the consumer products division took final net earnings last year to Fl 942m.

The second-quarter earnings, up 27 per cent on the 1987 figures to Fl 242m, were broadly in line with good results elsewhere in the European chemicals sector, displaying a healthy demand in the commodity and specialist areas of the industry.

Mr Loudon is anxious to point to the restructurings at Akzo which have enabled the company to make the best of the propitious external circumstances.

AKZO'S FIVE-YEAR RECORD

Year	Sales (Fl bn)	Operating profits (Fl m)	Net income (Fl m)	Shareholders' equity (Fl per share)
1983	15.1	843	428	89.03
1984	16.5	1349	752	101.80
1985	18.0	1465	843	104.16
1986	15.6	1485	842	107.40
1987	15.5	1181	942	94.80

Source: company report

Aarnout Loudon: reduction in fibres activities

In the past four years, the company has made about 25 acquisitions, most of them increasing the company's non-European activities. Like the heads of many other big European chemicals concerns, Mr Loudon says his company is increasingly looking to expand in other parts of the world, because of increasing competition in Europe and because of the opportunities of the large and expanding markets in the US and Far East.

Akzo, however, still has very much the look of a European chemicals company, with only a quarter of its sales outside the Continent.

From a products viewpoint, Mr Loudon says that as a result of the restructurings Akzo has a reasonably balanced range of sales activities. It has reduced its dependence on bulk areas of chemicals and increased its operations in higher-value parts of the industry which many analysts believe have the best prospects of sales and profits growth.

A plus for Akzo, in the eyes of many industrial observers, is a reduction in its fibres activities, an area in which European producers have in recent years been hit by overcapacity and a wave of cheap imports. Akzo's fibre sales accounted for half its turnover in 1969 – when the company was formed from a merger of two Dutch chemicals concerns – but only 21 per cent last year.

As part of this change, Akzo has concentrated on polyester fibres, pulling out of the nylon variety. It has also tried to emphasise the industrial, high-value types of fibres, an area in which it is Europe's market leader and world number two after West Germany's Hoechst, which has a strong US activity in this sector.

The transition process was hastened last year when Akzo sold its consumer-goods operations, which encompassed manufacture of snacks, other food products and biological detergents, to Douwe Egberts, a Dutch food company. This was shortly after Akzo splashed out Fl 1.3bn buying the speciality-chemicals business of Stauffer, the US chemicals company.

The two transactions, which involved Akzo in a net pay-out of Fl 650m, took the company out of an activity which appeared ill-matched to those of the rest of the group. They also substantially increased Akzo's presence in the US in speciality chemicals. These encompass a group of diverse products with applications in areas such as catalysts or emulsifying agents in relatively high-growth industries, including paper processing or in the chemicals business.

Akzo retains a solid base in traditional commodity chemicals such as salt, chlorine-based products and peroxides and is strong in the relatively fast-growing area of engineering coatings.

A cause of some unease among analysts, however, is the relatively poor showing in healthcare, where the company concentrates not so much on orthodox prescription drugs but on diagnostic tests and hormone-based contraception products.

The healthcare division, which accounts for about one-sixth of Akzo's turnover, has several times in recent years appeared ripe for take-off but its performance has generally failed to impress analysts.

Mr Loudon says he is keen to expand his company's presence in pharmaceuticals, possibly by acquisition. However, in view of the high prices commanded by those few drugs companies which emerge as possible takeover candidates, he acknowledges that growth in this area is more likely to come from internal changes. Mr Loudon hopes to hasten any organic expansion by channelling more funds into healthcare research and development, which accounts for about a third of the Fl 800m a year the company spends in this field.

Of some concern to the Akzo head is the general picture people have of the chemicals business. Acknowledging it is frequently the subject of criticism over environmental issues Mr Loudon gloomily confesses: "We would not win the popularity prize."

He says the sector must still do a lot more to make itself more acceptable to the public. "An industry cannot live in conflict with society," he says. In particular there must be more emphasis on environmental awareness. "We must tell every one of our people (in Akzo) that the environment must be at the centre of their thinking."

At the same time, however, Mr Loudon believes the industry's reputation is worse than it deserves. "In some ways we have only ourselves to blame for not being open enough in the past about our activities. This has to change."

One area to which Mr Loudon has paid a lot of attention is Akzo's public image. It is spending Fl 40m on a new logo which will be featured on every conceivable element involved in the company's activities, from buildings to writing paper. The Akzo chairman says this is partly to give a public relations boost and partly to improve the morale of the company's 67,000 employees. "If we are known and people know what we stand for, then we are likely to be more appreciated than if no one has ever heard of us. If people are proud of their company, that helps too."

As for exactly how the design change is likely to help or hinder Akzo in the future, Mr Loudon is determined he will be around to experience whatever happens. Company rules permit him to stay as president until he reaches the age of 62, in 10 years time. He says he has no plans to retire early. "There are a lot of challenges – but challenges are good," he says.

Sumitomo posts 46% jump

By Ian Rodger in Tokyo

PRE-TAX profits of Sumitomo Chemical jumped 46 per cent in the first half to Y17.9bn on sales of Y277.8bn ($2.08bn).

Sales of basic chemicals, which account for two thirds of total sales, rose 9.7 per cent, with styrene monomer and synthetic fibre raw materials being in particularly strong demand. Exports of agricultural chemicals jumped 23.7 per cent

Sumitomo Chemical revised upward its profit forecast for the full year to Y33bn at the pre-tax level, up 31 per cent.

CSR plays down asbestos damages court ruling

By Chris Sherwell in Sydney

CSR, one of Australia's leading industrial groups, has played down renewed suggestions that it faced heavy financial payments to victims of asbestos-related diseases.

The group was responding to the latest Australian court decision awarding damages of more than A$370,000 (US$298,400) to two men who worked from 1949 to 1955 at an asbestos mine run by Midalco, CSR's subsidiary, in Western Australia. The mine was closed more than 20 years ago.

CSR and its subsidiaries have been named in 258 damages suits over asbestos-related diseases, but only a handful have so far been heard.

Thursday's decision by the Western Australia Supreme Court was in favour of Mr Peter Heys, who died in April, and Mr Tim Barrow. Both contracted mesothelioma, a fatal form of lung cancer.

This was the first mesothelioma case to succeed against CSR. But in May, the Victorian Supreme Court found against Midalco when it awarded another mesothelioma victim, who also worked at the mine, A$680,000 in damages.

CSR would not say yesterday whether it would appeal against the latest finding. It said the decision covered several hundred pages and dealt with complex questions

But officials pointed out that more than three-quarters of worker compensation claims with Midalco's insurers, the Western Australian State Government Insurance Commission, involved asbestosis, the less serious dust-related disease.

For this there has not yet been a successful court claim against CSR or Midalco.

Chevalier (HK) profit up 64.5%

By Michael Marray in Hong Kong

CHEVALIER (HK), the Hong Kong property development, engineering and office automation group, yesterday reported a net profit of HK$51.2m (US$6.6m) for the year to March, an increase of 64.5 per cent on the previous year.

Chevalier also announced plans to spin off 55 per cent of Chevalier (OA) Holdings, its computer, office automation and telecommunications marketing and distribution division, by way of an offer to shareholders and employees.

The directors said strong growth in the division, which doubled turnover and quadrupled its contribution to group profits last year, had led to the decision to seek a separate listing for Chevalier (OA).

The directors estimate Chevalier (OA) will make a profit after tax but before extraordinary items

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Daiwa to exploit placing power

Haig Simonian on the ambitions of a top Japanese securities house

MR Jiro Yamana, deputy president of Daiwa Securities and the man in charge of the international side of its business, wants his company to be "the Rolls-Royce of the City of London."

Given the recent spete of Japanese equity warrant issues, where new issue volume is already within sight of last year's total, Daiwa has certainly shifted gear. But in the present situation of chronic oversupply, some may see it more as a pantechnicon for surplus Japanese paper than a Roller.

Even dealers who thought they had learned the names of the most obscure Japanese corporations in the last issuing bout have been surprised at what has come up recently. Yet Mr Yamana is philosophical about the growing complaints.

Thus: "We may have another period of very slow offering in the future," he says. "Every day we have to gain new business. Every day we think this is the end of the world. That is human nature." Given the present glut, dealers at many non-Japanese houses may be hoping that day comes sooner rather than later.

Mr Yamana also dismisses criticisms that Daiwa is no longer supporting its Eurobond issues as actively as before, sparking speculation about a change of strategy. "We have not changed policy at all," be says. "In my opinion, it is a total misunderstanding. There has been no such action on our part. We will continue to support our issues as much as we can." But he adds, "supporting out of our own pocket would be OK in the short term, but the more important thing is to strengthen our distribution and quality among clients and investors."

Exploiting placing power is a heavily stressed theme. Even the European Community's plan for a free market in financial services after 1992 or thereabouts, which has sparked remarkable interest in Japan, is seen partly in this light. Daiwa has not been absent from the trend.

With offices in most European financial centres, including three in Switzerland, the company is already pulling its European coverage closer together under the overall control of London as its regional headquarters.

There has already been a gradual shift in business. Rather than just being sales outlets for Japanese securities to Europeans, Daiwa's European offices "are changing into important purchasing offices for overseas securities for Japanese investors," notes Mr Yamana. "The size of offices may not change so much, but the function they play could be slowly changing. We are shifting some sales people into purchasing people."

Perhaps the best example of that is Daiwe's long-awaited primary dealership in the UK government bond (gilts) market. But with the likes of Citicorp pulling out of gilts, does it think it can make money?

Jiro Yamana: aiming to be the Rolls-Royce in the City

"We are very excited," says Mr Yamana: However, no vast expansion of staff is on the cards. Daiwa has been slowly building its gilts team since it first applied to the Bank of England, and now has 15 to 20 people, including back office staff. "We have a decent-sized space upstairs," he says.

He is confident that there will be strong Japanese demand for the UK government paper. "US Treasury bonds have become the bread and butter of our business in Tokyo and New York," he says, with Daiwa taking 10 per cent and sometimes more at the regular US Treasury auctions. Thus gilt-edge is just the next step.

"Unfortunately, Mrs Thatcher is so successful in cutting spending and the Government's deficit that we don't have much in the way of new offerings," he reflects. But there is still a large pool of outstanding paper where the company hopes to be able to use all the placing power born of Japan's high surpluses and savings ratios.

Daiwa ranks about fourth in the Eurobond new issues league table, having slipped a little since the first quarter this year. But Mr Yamana claims not to be obsessed by position.

"Size is important, but so is quality," he maintains, explaining the company's present cautious hiring policy. "Right now, we are not expanding aggressively, especially after the October crash. But we are constantly trying to improve the quality of our service."

Yet, while overall size ranking in the league tables may no longer be such a priority, Mr Yamana admits there is an unspecified – position he would not like the company to sink below. During the years, Daiwa has been moving up the league tables on the back of Japan's high savings and surpluses.

"Without these, we would be hack to lower positions," he admits. But even in the unlikely event that metters were to change, Mr Yamana keeps confident. "If we offer good quality, without being too expensive, then God will push us up," be says with an almost beavenly grin.

Hong Kong may introduce Treasury bills

By Michael Marray in Hong Kong

THE Hong Kong Government, which, as a result of comfortable budget surpluses, has not had to issue debt for several years, is understood to be contemplating the introduction of a Treasury bill market.

This would be a departure for the Government. It last borrowed funds in fiscal 1984-85, raising HK$1bn (US$128m) via a five-year bond issue following an emergency measure to finance a bndget deficit.

The idea of issuing Treasury bills has been welcomed by users of the local debt markets, and would also tie in with a recommendation from the Securities Review Committee that the administration should help stimulate and sponsor the development of debt markets in Hong Kong.

Nonetheless, the prospect has also been met with some disquiet, particularly in the wake of recent moves by the Government to take a more direct role in control of tha money supply and interbank interest rates in the colony.

As from July 18, the Government's Exchange Fund became the ultimate provider of liquidity in the interbank market, a role previously assumed on its behalf by the Hongkong and Shanghai Bank.

This was widely interpreted as a step towards the assumption of central banking functions by the Government.

The possibility of a Treasury bill market, which could be used to mop np liquidity if desired, has reinforced this impression.

But according to Mr David Nendick, Secretary for Monetary Affairs, the Treasury bill plan has nothing to do with recent events, and has been under discussion within government for at least a year now.

Mr Nendick said: "The objective that we would have in mind is providing a source of first class liquidity to the banking system, as well as enabling the Government to finance its seasonal flows in revenue."

He noted that as Hong Kong was running large budget surpluses, there was no pressing need to borrow money, hnt also pointed out that the introduction of Treasury bills would give a boost to the local debt markets.

Brierley unit in bid for Howard Smith

By Chris Sherwell in Sydney

INDUSTRIAL Equity Ltd (IEL), the Australian arm of New Zealand entrepreneur Sir Ron Brierley's business empire, yesterday launched a takeover bid for Howard Smith, one of Australia's oldest companies, valuing it at A$410m (US$330.6m).

Analysts said the A$3.35 a share offer price, well below the market level of A$3.70, would not be enough to secure control.

Sir Ron's move followed last month's placement by Howard Smith of some 11.5m shares at A$3.25 each with Adelaide Steamship, a company which until the 1970s was probably the group's biggest adversary.

Adsteam has evolved into a conglomerate controlled by Mr John Spalvins, another well-known entrepreneur. This means Howard Smith is the latest focus for one of those intriguing battles of wills which seem to characterise the Australasian share markets.

Set against Adsteam's newly acquired 9 per cent holding is a 10-11 per cent stake previously built up by IEL. Howard Smith had hoped the Adsteam placement would reduce its gearing and afford some helpful protection against IEL. Instead, it has brought legal action and, now, a bid from IEL.

Howard Smith's principal activities are in coal mining, stevedoring, tug operations and industrial supplies. It has a 50 per cent stake in Coal and Allied, a major coal mining company in New South Wales, which in turn owns 22 per cent of Howard Smith.

Australia's coal companies, especially those in New South Wales operating underground mines, have suffered heavily over the past two years because of low export prices, a strengthening Australian dollar and restrictive union practices.

This, and a poorly performing stevedoring business, where labour relations are also outdated, has caused Howard Smith to plunge into loss, despite healthy profits from its tug operations and its industrial products supply business.

Narrow trading ahead of US Treasury auction

By Dominique Jackson

A SURPRISE move by the UK authorities to raise base lending rates by a half point to 11 per cent provided the focus of attention yesterday in an otherwise lacklustre Eurobond market.

Most sectors experienced another day of thin volumes with prices locked within narrow trading ranges ahead of the US Treasury refunding which starts today and of US July retail sales and producer price data due later this week. However, a clutch of new Canadian dollar deals emerged and a dollar straight.

The timing of the UK base rate rise took many dealers by surprise, despite a rise in money market rates earlier, and the move prompted nervous speculation that some bearish economic data was imminent. Although little retail selling of sterling bonds was detected, prices were marked down by dealers in an initial wave of anxiety following the announcement.

Short-dated gilts ended up to ¾ point down on the day while losses at the longer end were limited to between ⅛ and ¼ point. Dealers were divided as to whether the easier tone would continue today with many pointing out that the strength of sterling in the

INTERNATIONAL BONDS

wake of the rate rise should limit losses.

Early in the day, Chase Investment Bank took advantage of continued and apparently insatiable demand for Canadian dollar paper from European retail accounts with a C$175m five-year issue at 10¼ per cent and 101⅞ for General Electric Capital.

Although shorter maturities have excited more interest of late, both the lack of comparable five-year paper and the liquid size of the deal were expected to boost demand and the spread at launch of 37 basis points over government issues was deemed fair. The deal was well bid at a discount of 1.85, within its total fees.

UBS Securities brought two borrowers to the sector. A C$75m three-year deal at 10¼ and 101⅛ for a unit of Belgium's Kredietbank was expected to be placed swiftly within Benelux retail accounts to whom the name is instantly familiar. It was bid at a discount of 1¼, within fees. Ford Motor Credit issued a C$100m two-year deal at 10¼ and 101, which is expected to sell on the strength of its short maturity although some dealers felt the company was in danger of looking a little over-borrowed.

Credit Lyonnais in Paris led a $50m five-year deal at 9⅝ per cent and 101⅛ for a unit of Japan's Kawasaki Steel. Its reception was closely monitored for indications of potential Japanese interest in the upcoming Treasury auctions.

Banks more confident of Ecu

By Stephen Fidler, Euromarkets Correspondent

A FURTHER indication of the growing international acceptance of the Ecu, the basket of 10 European Community currencies, was contained in figures pnblished yesterday by the Bank for International Settlements.

The figures, which cover more than 20 countries which constitute the main international banking centres, showed a rapid $7.1bn expansion in the cross-border and local claims of banks denominated in Ecu in the first quarter of this year.

The development, the BIS said in its quarterly report on banking and financial market developments, "was probahly related to increasing confidence in the stability of the European Monetary System currency relationships."

The prospects for developing Ecu money and financial markets was further enhanced last week when the Bank of England said it would create a new market in Ecu-denominated Treasury bills.

The BIS figures also recorded an unusually rapid expansion of $10bn in the Euro-sterling assets of international banks, reflecting the pronounced strength of sterling in the foreign exchange markets.

Overall, the growth of reporting banks' total cross-border assets in the first quarter slowed to $75bn in constant dollar terms. Apart from seasonal factors, the slowdown was also dna to stabla exchange market conditions, leading to smaller foreign exchange market intervention and a $3.8bn drop in the total deposits with banks of official institutions.

In other developments:

- New lending slowed to $50bn from $80bn in the final quarter of 1987.
- Banks claims on countries in Latin America fell by $1.8bn, after contracting by $8.4bn in the second half of last year. Bank claims on Mexico alone fell $1.8bn after its loans-for-bonds swap, while on Brazil they declined by $0.6bn and on Chile by $0.5bn.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on August 8

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Abbey National 7½ 92	200	93½	94⅛	-0⅛	-0¼	9.64
All Nippon Air 9¼ 97	100	†94⅛	94⅝	-0¼	-0⅛	10.37
Amer. Brands 8⅛ 92	150	†96¾	97⅛	-0¼	-0⅛	9.78
A/S Eksportfinans 7¼ 93	100	†91¾	92¼	-0¼	-0¼	9.55
A/S Eksportfinans 7¼ 92	150	†93¼	94¼	-0⅛	-0⅛	9.29
Austria 10 90	100	†103	103½	-0¼	+0¼	9.47
Barc. Bk. Fin. 10¼ 89	200	†100⅝	101⅛	-0⅛	-0¼	9.24
B.F.C.E. 7 92	150	93¼	93⅞	0	+0⅛	9.15
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Belgium 5⅛ 92	55	100¼	101	-0⅛	-0¼	5.14
Belgium 4⅛ 94	45	96¼	96½	0	0	5.36
Canada 4⅛ 92	80	97⅞	97⅛	-0⅛	-0⅛	5.02
Elec. De France 5⅛ 94	20	98⅞	99⅛	0	0	5.30
Ireland 5⅛ 93	30	99¼	100⅛	0	0	5.09
Norway 5⅛ 95	50	98½	98¼	-0⅛	-0¼	5.37
Rep. of Italy 5⅛ 92	150	102¼	102½	-0¼	-0⅛	4.99
Sweden 4⅝ 93	50	97⅛	97⅝	-0⅛	-0¼	5.23
[illegible]						

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday August 8. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY	£ STG	US $	D-MARK	YEN (X 100)
[illegible]				

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (f) Financial rate; (P) Exports; (f) Non commercial rate; (B) Business rate; (g) Buying rate; (h) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (s) convertible rate; (z) parallel rate; (k) Selling rate; (t) Tourist rate. Some data supplied by Bank of America. Monday August 8 1988

UK COMPANY NEWS

Newspapers boost profits in core businesses

Pearson jumps to £81.7m on back of property sales

By Andrew Hill

PEARSON, the publishing, banking and industrial group which owns the Financial Times, announced a 59.6 per cent increase in pre-tax profits to £81.7m for the six months to June 30, against £51.2m in the equivalent period.

At the first interim press conference in the group's history, Lord Blakenham, chairman and chief executive, said he did not expect Pearson's full-year profits to show the same percentage increase, even though second-half figures are usually well up on the first half due to the seasonal nature of the book publishing and fine china industries.

Excluding acquisitions and property sales, Pearson's pre-tax profits in the first half advanced just over 12 per cent to £57.5m. Pearson shares rose 4p to close at 790p last night.

An initial contribution from Les Echos, the French financial daily newspaper controlled by Pearson since April, helped boost trading profits from the group's newspapers, which include the FT and the Westminster Press provincial chain, from £19.7m to £27.3m. Newspapers were again the main contributors to profits in the information and entertainment division – which also includes Pearson's publishing interests and Madame Tussaud's – where profits advanced to £41m (£30.2m).

Investment banking profits dropped to £12.2m (£14.2m) – considered satisfactory by Pearson in current market conditions – while fine china made £4.8m (£2.5m) and oil and oil services £6.2m (£3m).

The first-half results included proceeds from the sale of the retail warehouse park at West Thurrock to Land Securities, which generated a profit of £8m, and £12.8m of profit on the sale of the Lakeside shopping centre to Capital and Counties, another property group. Pearson said the exercise of put options on the CapCo shares used to buy the shopping centre would realise some £12m annually over the next four years.

Dismissing continued rumours of a takeover bid as speculation, Lord Blakenham said the group's core businesses were stronger than ever. He highlighted the $290m acquisition of Addison-Wesley, the US educational publisher which is being integrated with Longman and the extension of the three Lazard banking houses' partnership.

Since June 30, Pearson has bought a 21 per cent stake in Pickwick, video and audio distributor, and sold Whitehall Petroleum for £94m. The group estimates the disposal will produce extraordinary profits of £49m in the annual figures.

Turnover increased from £420.7m to £496.2m in the first half. Earnings per share rose to 23.8p (15.3p) and the group declared an interim dividend of 7.5p (6p).

Pearson

Share price relative to the FT-A All-Share Index

Lord Blakenham: annual profits not expected to show the same increase

Cable and Wireless takes 75% stake in offshore operator

By Clare Pearson

Cable and Wireless, the UK-based international telecommunications company, has paid £400,000 for a 75 per cent stake in Teesside-based Northern Ocean Services, which operates offshore support ships.

It is intended to co-ordinate C and W's existing specialised vessels and marine facilities with those of NOS and its business associates.

NOS currently operates three ships owned by Andreas Ugland, the Norwegian group, but following the investment by C and W will also run Ugland's new 1,000 tonne cable laying carousel.

Pergamon's £4.7m purchase adds employment services to activities

By Vanessa Houlder

PERGAMON PROFESSIONAL and Financial Services yesterday announced the acquisition of Squires Appointments, a south of England employment agency for a minimum of £4.7m. This is Pergamon's first major deal since it demerged from Hollis, the diversified engineering and professional services company, in July.

Mr Robert Maxwell, chairman, said that Squires was Pergamon's first move into employment services which was seen as an attractive addition to its activities, with exciting international potential.

Pergamon was forged from the remainder of Hollis after its industrial businesses were sold to its management for £105m. Pergamon is concerned with legal services, school administration software and industrial technical documentation worldwide. Its stated aim is to focus on specialist services to other professions, companies and governments.

The payment for Squires will be £3.08m in cash and 1.59m new convertible loan stock units 1998, followed by a second instalment, which will depend on this year's profits.

Squires which is based in Reading with 11 branches in south-east England made adjusted pre-tax profits of £0.67m from turnover of £4.8m in the year to February 28.

French take 24% stake in South Staffs Water

By Andrew Hill

COMPAGNIE GENERALE des Eaux, France's largest water supplier, has built up a 23.9 per cent holding in South Staffordshire Water Company and may help the company build up to six denitrification plants.

South Staffordshire had invited tenders for the building of the plants – which could cost between £6m and £10m in total – from both France and the UK, following a European Community directive on water purity.

This requires the 10 UK water authorities – and the 29 companies which work alongside them – to reduce nitrates in the water supply, which may be caused by the use of artificial fertilisers or natural slurry deposits.

Mr Jim Carter, managing director of South Staffordshire, welcomed direct French involvement in the company, which has about 1.2m consumers in the Black Country and Staffordshire.

"We have been talking to them for three or four months on a technical level. We may well buy our first denitrification plant from them and look forward to having access to their research facilities," he said yesterday, adding that there was no apparent possibility of a takeover by Générale des Eaux.

The French company – which now has large stakes in at least eight of the UK's 29 statutory water companies – has held an undeclared stake in South Staffordshire of about 14 per cent for some time, but on Friday it bought 1.03m of redeemable preference stock, at a total cost of about £1.1m, through its wholly-owned subsidiary General Utilities.

Unusually among water companies, all South Staffordshire's stock carries voting rights, although the number of votes attached to the stock decreases as the investor's nominal holding rises, making it difficult to calculate the exact percentage of voting capital held by any one investor.

Last week Cementation-SAUR – an Anglo-French joint venture between Trafalgar House and Bouygues, the construction companies – increased its stake in Rickmansworth Water Company from 26.18 per cent to 27.72 per cent.

Maintaining a top slot in offices

Andrew Hill on the direction of Erskine House's growth path

UNASSUMING Scotsman Mr Brian McGillivray thinks the paperless office is no more than a secretary's dream.

But as chairman of the highly acquisitive Erskine House Group, which distributes and services office equipment, he is hardly impartial.

"Anything that actually manhandles a piece of paper will need maintenance," he points out, and anyone who has had to wrestle with a jammed fax machine or replace the toner in an intransigent photocopier can appreciate his point of view.

Already a significant presence in UK copier and fax machine distribution, where the group has roughly 8 to 10 per cent of the market, Erskine is also a growing player in the US – the largest copier market in the world – and is now poised to make its first European acquisition, probably in West Germany.

As former chief executive of Rentokil, Mr McGillivray recognises the value of continuous service contracts: it was part of the corporate strategy laid out when he arrived as Erskine's chief executive in January 1983, having bought into the company with a 29.9 per cent stake.

That attitude has never wavered, but Erskine itself has changed beyond all recognition – from operator of bureaux de change and security services to office equipment distributor in just over five years.

Mr McGillivray was followed into Erskine by other key managers from Rentokil, including Mr John Chapman, the group's finance director, and Mr Jim Morton, who heads the increasingly important US operation.

Guided by this knowledge of the service industry, Erskine has picked up nearly 30 office equipment distributors in the UK and US since 1983, spurred on by the commercial appetite for office gadgetry, a market which is still growing at 5 or 6 per cent a year. But Erskine has also toyed with other areas, including office furniture, security surveillance and pest control, built up in an attempt to rival Mr McGillivray's old employer's dominance in the bug-killing field.

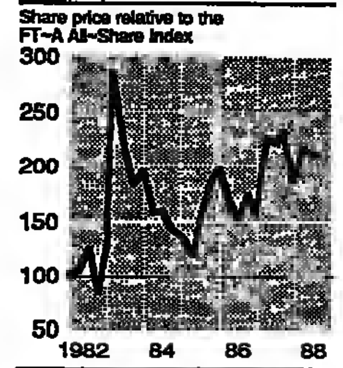
Gradually, however, the peripheral businesses Mr McGillivray inherited or acquired have been sold, leaving only the core office equipment operation.

Meanwhile, pre-tax profits have grown steadily, fuelled by the rapacious expansion programme. In the year to March 31 1983, Erskine made £168,000 on turnover of £15m, almost unchanged over the previous four years. In 1987-88 it reported a 78 per cent increase in profits to £9.24m, surpassing £100m of turnover for the first time with sales of £103m.

Analysts are forecasting profits in excess of £13m in 1988-89 and £16m in the following year, but trying to predict how big the company will be in two years' time is rather like measuring the proverbial piece of string.

Erskine house

Share price relative to the FT-A All-Share Index



Brian McGillivray: no grudge battle with Rentokil.

With thousands of small businesses still to choose from in the US, Erskine could more than double its turnover from North America alone in the current year.

Acquisitive though it is, observers doubt whether Erskine will go so far as to purchase a quoted rival in the UK. The Gestetner group is probably too big even for Mr McGillivray and his team to swallow and most of Erskine's other rivals, though small, are – in investment terms – more expensive, and some dilution of earnings would be inevitable. This is a side-effect which Erskine would probably want to avoid given that shareholders may already be sensitive about the large amount of paper the group has issued to fund previous acquisitions.

What is certain is that future diversification will be based on the office equipment business and related areas. Erskine bought a distributor of laser printers in June and is eyeing the possibility of distributing and servicing microcomputers and word-processors.

The target is average profit margins of 15 per cent, compared with existing margins across the group of just over 9 per cent. Mr McGillivray cites Erskine's US subsidiary Mirex Corporation as an example of what is possible. Bought last year and already the golden boy of the group, the company achieves margins of 30 per cent.

To further this aim, Mr McGillivray is prepared to stretch Erskine's balance sheet by imitating Mirex's high-margin leasing arrangements. The majority of Erskine's income would still come from sales and service but the leasing business in the UK, where a conventional third-party arrangement is the norm, would be transformed.

So what, if anything, stands in Erskine's way? Pessimists say a major Japanese supplier, like Ricoh or Canon, could begin to resent the fact that Erskine also distributes a rival's product. The Japanese might even attempt to acquire Erskine and with it the valuable client information which the group is building up. But this would signal a major reversal of the manufacturers' traditional link with the distributors, and the risk to the Japanese of losing important customers altogether is probably too great.

More likely is the emergence of a serious competitor in the UK and, in this respect, a faint shadow from the past has recently been cast over Erskine's rosy future. Just over a week after Mr McGillivray reported record 1987-88 profits for Erskine, his erstwhile employer Rentokil announced the £2m acquisition of a distributor of office equipment.

Mr McGillivray dismisses the prospect of a grudge battle, but the industry may still be fragmented enough to support, at the very least, an intriguing contest between jealous parent and precocious child.

Pleasurama's Hard Rock move attacked by Mecca

By Clare Pearson

MECCA LEISURE Group yesterday accused Pleasurama, the hotels and casinos group for which it has launched a £620m contested bid, of trying to rush through its proposed £63m purchase of the Hard Rock restaurant group.

Mecca's offer is conditional on Pleasurama's shareholders rejecting the purchase of Hard Rock, and its financing through a £127m rights issue, at an extraordinary general meeting this Friday.

Mecca's stake in Pleasurama is only 2.2 per cent. However, it could canvass shareholders accounting for 23 per cent of Pleasurama's shares, who also hold shares in Mecca.

Mecca says there is no chance its offer document will reach shareholders before Friday's meeting.

Thorpac reports loss and plans to buy Coppice

By Nigel Clark

A SHARP downturn in sales, particularly of microwave cookware, and provisions against potential losses because of the October crash sent Thorpac Group into the red in the second half of the year to the end of March 1988.

The USM-quoted distributor of deep-freeze packaging and microwave cookware also announced that it was buying Coppice Foil Containers for an initial £3m and further profit-related payments to a maximum of £8m.

Turnover for the year fell from £4.56m to £4.06m for a pre-tax loss of £80,000, against a profit last time of £412,000.

Directors said the results also reflected a period of heavy investment and the company had maintained its dominant position in its market.

They added that the likely level of future turnover had been assessed and steps taken to adjust overheads. The cookware division should return to profit in the present year. The board recommended a maintained final dividend of 0.833p, for an unchanged total of 1.166p.

Operating profit was £21,000 (£413,000) and the pre-tax figure was struck after a realised loss on short-term investments of £12,000, compared with profits last time of £46,000. There were also provisions for amounts written-off this time of £68,000.

Losses per 2.5p share were 1.2p basic (earnings 3.2p) or losses of 1.1p fully diluted (3p).

The purchase of Coppice, which makes aluminium foil trays and containers, follows the July acquisitions of JTS Manufacturing, which is itself buying JT Supplies, involved in the bar and catering supplies market, and Michael Freeman Products, pvc and adhesives distributor.

Initial consideration for Coppice will be satisfied by the issue of 3.38m ordinary shares, 1.35m third convertible redeemable participating preference shares 2002-2005 of 50p, and £300,000 cash. The profit-related payments will be satisfied by shares, providing profits in the 16 months to March 31 1989 exceed £666,000. Should they fall short the vendors will have to make repayments.

In the year to November 30 1987 Coppice reported pre-tax profits of £314,000 on turnover of £4.46m. Net tangible assets at that date were £579,000.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Compco Holdings ...fin	8	-	7.5	9	7.5
Howard Hldgs ...fin	0.8	Oct 19	0.62*	1.3	0.98*
Inv Tst Guernsey ...int	0.55§	-	0.55	-	1.75
Molinare § ...fin	nil‡	-	1.2	nil	1.2
Pearson ...int	7.5†	Nov 4	6	-	15
Relyon ...int	2.1	Oct 3	1.65	-	4.9
Southampton IoW ...int	6	-	5	-	22
Thorpac § ...fin	0.83†	–	0.83	1.17	1.17

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ★Gross and carries scrip option. ‡ 17-month period.

Ansbacher up to £3m midway after insurance broking loss

By Nick Bunker

HENRY ANSBACHER Holdings, the tightly-held merchant banking group, has reported an eight per cent increase in interim pre-tax profits to £3.01m, in spite of poor results from Seascope, its insurance broking arm, which suffered a £14,000 operating loss.

News of the insurance broking losses comes at a time when Ansbacher is putting the finishing touches to a deal to merge Seascope with another Lloyd's broker, W.S. Moody.

Mr Richard Fenhalls, Ansbacher's group chief executive, said he expected a further announcement about the Seascope/Moody tie-up within the next week. The new joint entity will have "critical mass," Mr Fenhalls said, benefitting especially from Moody's UK retail broking presence.

Group earnings per share slipped marginally from 1.2p to 1.1p, owing to an extraordinary £248,000 charge attributed to abortive acquisition costs.

The shares gained 1p to close at 90p last night however, in spite of a decision by the group to continue its recent policy of not paying a dividend at the half-way stage.

Ansbacher's best result was in its merchant banking division, where disclosed operating profits grew six per cent to £2.55m. Mr Fenhalls said the star performer here was again the group's merger and acquisition advisory business, particularly its US-based team specialising in deals in the media and communications business.

Seascope's insurance broking operations – made up mainly of marine business and reinsurance – were hit by the twin industry-wide problems of premium rate cutting by underwriters and the weakness of the dollar, the main currency for international insurance transactions.

Mr Fenhalls confirmed, however, that it was also still suffering from last year's defection of a team of energy brokers, which removed around £1m from 1987's pre-tax profits.

In Ansbacher's third division – shipbroking – operating profits fell from £133,000 to £94,000, but the group said it expected the full year result to be better than the £152,000 of 1987.

● COMMENT

Ansbacher's shares have comfortably outpaced the FT-Actuaries merchant bank index since mid-May: but - as yesterday's sluggish results amply demonstrate - that is scarcely justified on fundamental grounds. The stock's outperformance springs more from a simple lack of liquidity, given that 84 per cent of the shares are held by five big investors, among them Groupe Bruxelles Lambert, the Kuwait Investment Office and Robert Maxwell. As far as current trading goes, merchant banking has held up creditably. Ansbacher can expect to benefit further from the impact of last November's £69m rights issue, which has considerably enlarged the scale of the deals it can handle. But shipbroking remains lacklustre, in spite of signs of a cyclical upturn: even if Ansbacher makes £200,000 pre-tax this year, that will still be far short of the £250,000 this division achieved as long ago as 1984. As for Seascope, a merger with another broker looks welcome in principle: but the small print of the deal with W.S. Moody will need careful scrutiny by the stock market, in the light of the tendency for insurance broking marriages to turn sour.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Arley Hldgs., BBA Group, Capital and Counties, Contl. & Indl. Tst., Fairway (London), Gold Fields Prop., Jamesons Chocolates, Kleinwort O'seas Inv., New Tokyo Inv. Tst., Practical Inv. Co., Robinson (Thos.), Spong, Vogelstruisbult Metal.

Finals- Douglas (Robt. M.), Herrburger Brooks, Huntingdon Intl., Jackson (Wm.), McKay Secs., New Wits.

FUTURE DATES

Interims-

Barr & WAT	Aug. 24
Berry Starquest	Sept. 14
Blackwood Hodge	Sept. 1
Dewey Warren	Aug 10
Ericsson (LM)	Aug. 25
Frost Grp. Inv.	Aug 23
Gordon Russell	Aug 17
Hambro Countrywide	Sept. 6
Ladbroke	Aug. 25
Northern Eng. Inds.	Aug. 23
Scot. Eastern Inv. Tst.	Aug. 22
Weir Group	Aug. 24

Finals-

Edinburgh Fin. Tst.	Aug. 15
Gold Fields of Africa	Aug. 16

Godfrey Davis to buy Falcon Inds

By Andrew Taylor, Construction Correspondent

GODFREY DAVIS (Holdings), the textiles, laundries, and fleet hire services group, emerged yesterday as the mystery bidder for Falcon Industries, which supplies portable buildings to the construction industry and makes plastic Plantpak garden pots.

Davis, acquired in a reverse takeover last year by Sunlight Services, is offering three Davis shares plus 301p cash for every eight Falcon shares.

The offer values Falcon at just under £43m. The Davis share price following the announcement fell 4p yesterday to close at 180p. The bid includes a cash alternative worth 105p a share.

The offer, which is recommended by the Falcon board, has been accepted by shareholders controlling just over 57 per cent of Falcon's ordinary share capital.

Falcon's share price closed last night at 103p. Before Friday's announcement of a bid approach the shares had been trading at about 89p.

Davis also announced yesterday the sale of Security Arrangements, its security guards and alarm monitoring business, to Compass Securities. The deal is worth £5m, including the repayment of loans made by Davis to Security Arrangements.

The purchase of Falcon is intended to complement Davis's small building services operation, which rents and sells portable cabins to the construction industry. Falcon is one of the country's leading suppliers of portable buildings to the construction industry and would provide a design and manufacturing capacity as well as expand the hire operations.

Its building division last year contributed £2m of group operating profits of £2.8m. The company said yesterday that total pre-tax profits of £2.2m last year had already been matched during the first six months of this year.

The figures compare with operating profits of £1.3m earned last year by Davis' building services division out of group operating profits of £18m. Group pre-tax profits rose to £13.9m, compared with £10.7m in 1986.

Mr George Boyle, finance director of Godfrey Davis, said the purchase price for Falcon represented an exit p/e of about 16 on a market forecast of pre-tax profits of £3.75m for Falcon this year.

He said the offer price reflected the growth potential of the company's portable buildings business and the sharp growth in activity experienced by the construction sector.

Compco ups dividend as profit tops £800,000

COMPCO HOLDINGS, property investor and developer, pushed up its pre-tax profit from £594,000 to £804,000 in the year ended March 25 1988, and is lifting the dividend by 20 per cent to 9p.

As forecast, there was a rise in rental income, from £908,000 to £1.12m, while successful trading activities produced a profit of £493,000 (nil) and interest received was again around £2.9m.

Against those, interest charges rose to £390,000 (£128,000) and overheads to £325,000 (£264,000), and nearly £150,000 was provided to write down the American property interest to £100,000.

Earnings worked through at 22.75p (17.97p) before the exceptional surplus of £233,000 (£260,000) from selling the remaining interest in W & F Fish.

Net asset value at the year end was stated to be 942p (636p).

Stormgard buys office supplier

By Clare Pearson

STORMGARD, restructured textile group, is paying £2.39m to acquire Typewriter Services and Equipment (Tyseal), Aberdeen-based retail distributor of office furniture and stationery.

The consideration and expenses will be satisfied by the issue of 19.94m new Stormgard shares, representing about 10.5 per cent of Stormgard's enlarged share capital, of which 17.19m are being placed and the balance retained by the vendors.

The move is Stormgard's third acquisition this year and reflects a policy designed to reduce dependence on knitwear and womenswear being pursued by the new management installed last year.

Reorganisations and disposals during the year to March 31 enabled Stormgard to pare losses to £1.5m (£4.67m) on turnover of £24.2m (£45.8m).

Tyseal made profits after taxation and extraordinary items of £219,000 on turnover of £7.26m in the year to January 31. At that date, its net assets amounted to £1.78m.

Molinare Visions continues to improve

MOLINARE VISIONS, USM-quoted film and video production group in which W H Smith has a controlling interest, continued its improvement with a trading profit of £351,000 for the 17 months to May 31 1988.

An exceptional item of £191,000 relating to start-up costs of its Spanish joint-venture company Molinare S. A. however, held back unaudited group pre-tax profits for the period to £160,000. This compares with a £3.2m loss for the 12 months to December 31 1986.

The company said Molinare S. A. had opened for business in Madrid in June. Indications were that the service had been well received and turnover was building up rapidly. In addition the integrated television facility for the exclusive use of Screensport and Lifestyle satellite channels operated by W H Smith began transmission last March.

Turnover for the 17 months was £20.7m, against £11m for 1986. The full accounts for that year were qualified by the auditors in respect of uncertainty over certain prior year adjustments to the carrying value of assets and the lack of proper books and records kept by the company and certain significant subsidiaries during the year.

Earnings per 50p share before exceptional items worked through at 1.5p (loss 21.9p). After exceptional items the earnings figure fell to 0.7p (loss 28.5p). An extraordinary item of £111,000 is in respect of amounts due from certain former executive directors. The company has begun litigation to recover these amounts.

The directors said the group should begin to benefit from its substantial investments this year, viewed as the second of a three-year recovery period.

The board is not recommending payment of a dividend this time, (1986 – 1.2p).

Geest buys Katie's Kitchen for £9.9m

By Clare Pearson

GEEST, best known as a banana importer, will expand its menu of prepared recipe dishes with the £9.9m purchase of Three Ks, which trades under the name Katie's Kitchen.

Geest is paying £7.3m in cash and the balance in unsecured loan notes, using up about half of its current cash resources.

Mr David Sugden, finance director, said the acquisition would complement the group's existing activities in the chilled foods market, much increased a year ago with the purchase of Clipper, the fish products manufacturer. Like Geest, Katie's Kitchen sells to the big high-street food retailers including Tesco and Sainsbury.

The purchase of Katie's Kitchen introduces Geest to high-quality chilled (as opposed to frozen) pizza products, the market for which it says is growing at 20 per cent a year. It plans to amalgamate Katie's production of prepared dishes within its own new recipe dish factory due to be open later in the year.

Katie's Kitchen, which began life in a kitchen in Pinner about 15 years ago, last year made pre-tax profits of £936,000. All the three founders are resigning although Mrs Vivian Flower will remain as a consultant.

Mr Sugden said market conditions in Geest's dominant fresh fruit importing and distribution business were much improved after troubles last year, when the banana crop was hit by both drought and rain. In the year to January, Geest made pre-tax profits of £14.14m.

Relyon rises 28% midway

With first half profits showing a 28 per cent advance to £2.25m, the Relyon Group is looking to a record year.

Plans were in hand for a further extension of manufacturing facilities, directors said. The group makes bedding and other furniture, and supplies surveillance equipment.

In the half year to June 30, turnover rose 35 per cent to £19.43m, operating profit was £2.05m. Interest receivable and similar income came to £243,000 (£98,000).

Earnings were 9.3p (7.27p) and the interim dividend is 2.1p (1.65p). In 1987 group pre-tax profit was £3.93m.

Williams boosts engineering interests with £18m agreed bid

By Nikki Tait

WILLIAMS HOLDINGS, the acquisitive industrial conglomerate, yesterday boosted its engineering interests with an agreed bid for Newage Transmissions, a manufacturer of gearboxes and transmissions. Newage is traded on the Unlisted Securities Market.

The agreed offer of 155p a share in cash values Newage at £18.2m. There is a share alternative of one new Williams share for every two Newage shares held.

Directors and their families have given irrevocable undertakings to accept the offer in respect of 59.5 per cent of the equity. Williams said yesterday that the Newage directors had yet to decide whether to take the cash or share option.

Yesterday, Newage shares jumped 28p to 151p, while Williams gained 1p to 299p.

Newage came to the market in autumn 1986, when its shares were placed at 75p each. The company, which dates back to the 1930s, was acquired by Charterhouse in 1966. In 1984, a management buyout from Charterhouse created the industrial holding company, Paragon. The following year, Newage's management staged its own buyout from within Paragon.

Its business involves the manufacture of axles and gearboxes for "use in arduous conditions" – off-highway axles and gearboxes, marine gearboxes, geared drive units and miscellaneous transmission units and spares.

In 1987, the Coventry-based company made £2.08m pre-tax on sales of £11.8m. At the year-end, net assets were £3.88m. Yesterday, however, Williams added that the company comes with a net cash balance of about £1m.

Williams is not claiming any synergy with existing interests, but says rather that it is still looking to add selectively to the engineering side when opportunities crop up. Williams' larger acquisitions recently have concentrated on the building products side – in particular, two major forays into the paints business. The existing management is to remain at Newage, and the bidder says that its greater resources should help Newage expand business both domestically and overseas.

Brown Shipley disposes of Irish bank

By David Barchard

WOODCHESTER, the Irish leasing group in which British & Commonwealth Holdings owns a controlling stake, has bought Trinity Bank, Dublin-based merchant bank, from Brown Shipley & Co and the Philadelphia National Bank for I£1.7m (£1.48m), in a sale which marks Brown Shipley's withdrawal from Ireland.

Woodchester plans to bring Trinity Bank under one roof with the rest of its operations, raising about I£500,000 from the sale of the bank's present premises. It then plans an injection of new capital to enable the bank to grow.

"We anticipate profitability of about I£500,000 a year from Trinity," said Mr David Dilger, group finance manager at Woodchester, yesterday.

Completion of the sale is conditional upon the approval of the Central Bank of Ireland.

Brown Shipley acquired an 80 per cent stake in Trinity Bank after a series of purchases during the 1970s. Mr Derek Connolly, Head of Corporate Finance at Brown Shipley, said yesterday that the bank will repatriate its share of the sale proceeds and continue to offer international corporate financial services to its Irish customers from London.

News Digest

HOWARD HOLDINGS

Taxable profits rise to £2.34m

BOOSTED BY strong domestic housing market conditions Howard Holdings, property developer, plant hirer, formwork and shuttering contractor, saw its pre-tax profits rise 38 per cent from £1.69m to £2.34m for the year to end-April.

The development division, where profits advanced by a third to £1.7m, continued to increase its investment in sites

Group turnover was little changed at £7.72m (£7.18m). Earnings worked through at 6p (4.4p) per 10p share, and a final dividend of 0.8p raises the total by 30 per cent to 1.3p.

S'HAMPTON STEAM

Pre-tax surplus increases 56%

Southampton, Isle of Wight and South of England Royal Mail Steam Packet reported pre-tax profits for the six months to June 30 1988 of £1.05m, up 56 per cent from £671,000 last time.

This came from turnover of £5.1m (£5.3m) and included a surplus of £302,000 (nil) on relocation of a subsidiary and income from investments of £190,000 (£202,000).

Interest payable was £55,000 (£64,000) and after tax of £337,000 (£235,000) earnings per 50p share increased 64 per cent to 20.89p (12.77p). An improved interim dividend of 6p (5p) is being paid.

ELLIS & EVERARD

Chemplus buy for initial I£1m

Ellis & Everard, independent chemical distributor, has acquired Chemplus for an initial consideration of I£1m (£839,000), to be satisfied by I£300,000 cash and the balance in Ellis shares. Further consideration, up to a maximum of I£400,000 will be satisfied in shares or cash dependent on Chemplus' performance over the next three years.

Chemplus, Limerick-based provider of custom manufacture and blending services, had net assets at March 31 warranted to be not less than I£500,000.

SCANTRONIC

French purchase for £1.2m

Scantronic Holdings has expanded its presence in France through the acquisition of Systal, distributor of intruder alarms and security equipment, for £1.2m cash. The payment will be made in three tranches, up to April 1990.

Systal is based near Paris and incurred a pre-tax loss of about £180,000 in 1987 on turnover of £5m. Net assets stood at £470,000 at the year-end.

COMPANY NEWS IN BRIEF

ASTRA TRUST has acquired Lawrence & Wightman, Birmingham-based commercial agent, surveyor and auctioneer, for £175,000 cash and further consideration to the extent of 30 per cent of the company's worth in three years' time. Astra has also acquired Capricorn Communications, a financial information and investment analysis publisher, for £20,000 with further consideration to the extent of 30 per cent of the company's worth in three years.

AUDIO FIDELITY, specialist in audio and consumer electronic products, has entered into an agreement with Samleco Communications, mobile telecommunications group, for the world-wide manufacture and sale of Samleco's E-Note and Radionote mobile data communications equipment. The agreement is a step towards the creation of a telecommunications division by Audio to complement its audio and consumer products divisions.

AVESCO annual meeting told that profits were substantially ahead of last year, and orders were a record.

BET has acquired Central Crane Hire for £3.45m - satisfied by £400,000 cash, £750,000 unsecured loan, and £2.3m shares. Turnover of Central was over £3m.

BLENHEIM EXHIBITIONS has entered an option agreement, exercisable over a one week period in September, to acquire Acumex, a UK organiser of franchise and business opportunity exhibitions. Total consideration on completion would amount to £150,000 in cash together with the issue of 79,366 shares.

FORD SELLER Morris has sold its completed retail development in Hornchurch High Street for £1.8m, to Wetu of the Channel Islands. It was fully pre-let at a total rent of £144,000 annually.

JOHN FOSTER says 95.1 per cent of its rights issue was taken up by holders. The outstanding 109,610 shares were sold and proceeds will be distributed to those entitled.

FROGMORE ESTATES has paid £3.75m for long leasehold interest in 18,438 sq ft period office property in London. The building is at present let at a rent of £200,000 per annum.

INVESTMENT TRUST of Guernsey showed earnings of 0.69p for first half of 1988 (0.65p) and interim dividend, again 0.55p gross. Revenue £617,000 (£592,000) before tax. Net asset value 51.1p (56.8p, and 43p at end 1987).

IRISH DISTILLERS: GC & C Brands, the company formed by Allied Lyons and Grand Metropolitan, will announce today whether it has received any further acceptances for its cash offer. GC & C has received acceptances from just 20.1 per cent of shareholders, including the 20 per cent stake of FII Fyffes. A high level of new acceptances is not expected, however.

IRISH ROPES: Pre-tax profits I£731,000 (I£612,000) for six months to July 2 against I£537,000 for nine months to June 30 1987. Total sales £13m (£14.02m). Interim dividend 1.75p (same) and earnings 9.8p (5.4p). Directors expect full year result to be in excess of that for the previous 15 months.

KITTY LITTLE Group is to acquire Shardan, manufacturer of high quality cosmetic and toilet bags and purses, for a maximum £664,000 of which £250,000 is payable on completion. Initial consideration will be satisfied by vendor placing of 236,111 shares at 105p.

ROBERT H. LOWE has agreed to acquired Morrell Packaging, the cardboard box-making and contract packaging division of Brierley Almond, for £330,000 in cash. Management accounts for the year to March 31 indicate Morrell made pre-tax profits of £39,000 on turnover of about £1.3m.

SCOTT'S RESTAURANT: pre-tax loss increased to £553,370 (£307,569) in the half-year to June 30 on turnover down to £3.09m (£5.42m). Cost of selling its Mirabelle restaurant is included in the extraordinary debit of £12,667 (£50,803). Loss per 12½p share 104.36p (63.82p).

SECURITY ARCHIVES: Annual meeting was told that ambitious targets set for further growth had all been achieved in the first quarter of the present year.

TRIPLEX LLOYD: Annual meeting told that current year had started well and that prospects for the full year were encouraging. Market conditions throughout sectors in which group was active remained buoyant. First quarter results were ahead of budget.

TR PACIFIC Investment Trust: Net asset value was 41.2p at June 30, up 55 per cent on the 63.9p at December 31 1987. Total revenue returns in the six months under review advanced to £500,000 (£49,000), earnings per 5p share were 0.245p (losses 0.027p).

VANTAGE SECURITIES reported net asset value at June 30 1988 of 112.3p (117.5p). Earnings per share for six months to end of June were 0.698p (1.04p) and interim dividend unchanged at 0.6p.

VOLEX expects further improved results in current year. Annual meeting told that first quarter profit was ahead of budget, and satisfactory situation had continued into the next period, with turnover and volume increasing.

WOOLTONS BETTERWARE Group has paid £830,000 in cash for the assets and stock of the UK division of SABCO, making it the group's fourth purchase in the homeware field during the current financial year.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and pound very firm

STRONGEST CURRENCIES on the foreign exchanges yesterday were the dollar and sterling. The US Federal Reserve intervened to stem the advance of the dollar, and the Bank of England made a similar move to curb the pound's rise.

Last Friday's US employment data provided support for the dollar, particularly the upward revision to the rise in June non-farm payrolls to 532,00 from 364,000. This increased speculation that the Federal Reserve will tighten its monetary stance and push up interest rates, in an attempt to prevent overheating in the economy.

Apart from the Federal Reserve, the West German Bundesbank was also active selling dollars, but this failed to prevent the dollar closing above DM1.90 in Europe. It touched a peak of DM1.9050, the highest level since January 1987.

The Bundesbank began to intervene to support the D-Mark in the Far East. Dealers in Singapore reported sales of dollars by the German central bank when the UK currency was trading at DM1.9020.

In Frankfurt there was further intervention, both on the open market and at the currency fixing session, but there was little sign of action by other European central banks.

At the fixing the Bundesbank sold $25m, as the dollar rose to DM1.9010, from DM1.8857 at the fixing on Friday.

The Bank of Italy bought DM165m at the Milan fixing, but this was regarded as a move to increase Italian holdings of D-Marks, at a time when pressure has eased against the lira within the European Monetary System.

The Bank of Italy did not sell dollars at the fixing, and the Bank of France also showed no sign of joining in the intervention by the Bundesbank to slow the dollar's climb.

The dollar rose to a 19-month closing high of DM1.9020, compared with DM1.8830 on Friday. It also advanced to SFr1.59 from SFr1.58 and to FFr6.4125 from FFr6.3825, but was only slightly higher against the yen, at Y133.65.

According to the Bank of England, the dollar's exchange rate index rose to 99.6 from 99.2.

Around noon in London the Bank of England surprised the foreign exchanges by signalling another rise in UK bank base rates, and at about the same time was seen to intervene on the foreign exchanges to sell sterling against the D-Mark.

The amount of intervention then was described as small by dealers, as the pound moved above DM3.21. In early trading sterling was around DM3.2075, but jumped to DM3.2225 on the news of higher UK interest rates.

The Bank of England was in the market again after lunch. Dealers said the central bank was selling the pound against the D-Mark continuously in the late afternoon. This limited sterling's rise, but the currency closed at its highest level since July 1986, rising to DM3.2275, from DM3.2050 on Friday.

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

[illegible]

Forward premiums and discounts apply to the US dollar

STERLING INDEX

[illegible]

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

CURRENCY RATES

[illegible]

*All SDR rates are for Aug 5

CURRENCY MOVEMENTS

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

OTHER CURRENCIES

[illegible]

*Selling rate

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

An unanswered question

THERE WAS one major unanswered question in London yesterday, after the Bank of England signalled another rise in UK bank base rates.

Dealers were left asking whether the authorities have already decided that the July bank lending figures will be alarmingly bad? This led to a fall of sterling interest rate contracts on Liffe.

The signal of higher base rates came shortly after an announcement that UK consumer credit growth was £440m in July, against a monthly average rise of £320m. This in itself was probably not enough to make the authorities push up rates, but dealers suggested it might be enough if the Bank of England is worried about the bank lending figures, to be released on Thursday next week.

Estimates in the City for M4 lending range up to a record £9.5bn, compared with £8.5bn in June.

There have been seven increases in base rates since the beginning of June, all of 1/2 p.c., but dealers said the time may have come when the authorities will change tactics.

LIFFE / PHILADELPHIA OPTIONS; LONDON (LIFFE); CHICAGO

[illegible]

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Sep	0.6336	0.6348	0.6321	0.6357
Dec	0.6408	0.6416	0.6387	0.6426
Mar	0.6465	0.6475	0.6451	0.6488
Jun	0.6540	-	0.6540	0.6569

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Sep	273.30	273.70	272.10	272.20
Dec	275.85	276.10	274.70	274.65
Mar	278.25	278.25	-	276.95
Jun	280.70	280.70	-	279.40

EUROPEAN OPTIONS EXCHANGE

[illegible]

Series		Vol	Last	Vol	Last	Vol	Last	Stock
PHILIPS P	Fl. 30	264	0.80	34	1.80	11	2.80	Fl. 32.50
ROYAL DUTCH C	Fl. 250	1198	5.90	158	10.20	29	14.20	Fl. 246.20
ROYAL DUTCH P	Fl. 250	825	12.50	111	14.50 A	-	-	Fl. 246.20
UNILEVER C	Fl. 120	524	5.10 A	117	7.80	47	11	Fl. 118.30
UNILEVER P	Fl. 120	553	5.90	550	9	50	10.20	Fl. 118.30
WESSANEN C	Fl. 80	218	4.50	-	-	-	-	Fl. 81.70

TOTAL VOLUME IN CONTRACTS : 40,434

A = Ask B = Bid C = Call P = Put

BASE LENDING RATES

	%
ABN Bank	10½
Adam & Company	10½
AAB - Allied Arab Bk	10½
Allied Irish Bank	10½
Henry Ansbacher	11
ANZ Banking Group	10½
Associates Cap Corp	10
Authority Bank	10½
B & C Merchant Bank	11
Banco de Bilbao	10½
Bank Hapoalim	11
Bank Leumi (UK)	10½
Bank Credit & Comm	11
Bank of Cyprus	10½
Bank of Ireland	10½
Bank of India	11
Bank of Scotland	11
Banque Belge Ltd	11
Barclays Bank	11
Benchmark Bank PLC	11
Berliner Bank AG	11
Brit Bk of Mid East	11
● Brown Shipley	11
Business Mtge Tst	11
CL Bank Nederland	10½
Central Capital	10½
● Charterhouse Bank	11
Citibank NA	11
City Merchants Bank	11
Clydesdale Bank	11
Comm.Bk.N.East	11
Co-operative Bank	*11
Coutts & Co	11
Cyprus Popular Bk	10½
Dunbar Bank PLC	11
Duncan Lawrie	11
Equatorial Bank plc	10½
Exeter Trust Ltd	11½
Financial & Gen. Sec	10½
First National Bank Plc.	11½
● Robert Fleming & Co.	10½
Robert Fraser & Ptnrs.	11½
Girobank	10½
Grindlays Bank	10½
● Guinness Mahon	11
HFC Bank plc	11
● Hambros Bank	10½
Heritable & Gen Inv Bk	11
● Hill Samuel	§10½
C. Hoare & Co.	10½
Hongkong & Shangh	11
● Leopold Joseph & Sons	10½
Lloyds Bank	11
Meghraj Bank Ltd	11
Midland Bank	11
Mount Bnkg Corp.	10½
Nat Bk. of Kuwait	11
Nat Westminster	11
Northern Bank Ltd	10½
Norwich Gen. Trust	11
PRIVATbanken Limited	10½
Provincial Bank PLC	11½
R. Raphael & Sons	10½
Roxburghe Guarantee	11½
Royal Bk of Scotland	11
Royal Trust Bank	11
Smith & Williamson Secs.	10½
Standard Chartered	10½
TSB	11
UDT Mortgage Exp	‡11.45
United Bk of Kuwait	11
United Mizrahi Bank	10½
Unity Trust Bank Plc	11
Western Trust	10½
Westpac Bank Corp.	11
Whiteaway Laidlaw	11
Yorkshire Bank	11

● Members of British Merchant Banking & Securities Houses Association. * 7 day deposits 4.38% Savewise 7.16%. Top Tier-£10,000+ Instant access 9.0% ‡ Mortgage base rate. § Demand deposit 5.½%. Mortgage 10.875% - 11.25%

MONEY MARKETS

Base rates 11%

THE BANK of England took London's financial markets by surprise yesterday, with the signal of another ½ p.c. rise in UK bank base rates, when offering to lend money to the discount houses at 11 p.c.

Interest rates were a little firmer at the time, but trading was quiet, and the upward trend appeared to reflect speculation about higher US interest rates. Three-month interbank rose to 10 15/16-10 13/16 p.c. from 10¾-10⅝ p.c. during the morning, and closed at 11⅛-11 p.c.

UK clearing bank base lending rate 11 per cent from August 9

Within half an hour of the Bank's announcement Barclays Bank and Midland Bank had lifted their base rates into line.

Speculation about disturbing money supply and bank lending figures were fuelled by the move. The figures will not be released until next week, but there are already forecasts in the City that combined bank and building society lending (M4) will be a record £9.5bn.

The strength of the dollar kept sterling below $1.70, but this was offset by the pound's gains against the D-Mark.

Publication of encouraging news on UK producer prices had no impact on the market.

The Bank of England initially forecast a money market shortage of £600m, but revised this to £700m at noon.

The authorities did not operate in the market during the morning. In the afternoon the Bank of England bought £162m bills outright, by way of £61m bank bills in band 1 at 10⅞ p.c. and £101m bank bills in band 4 at 10⅝ p.c.

A further £490m was lent to the market at a rate of 11 p.c.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £1,010m, with Exchequer transactions absorbing £190m, and bank balances below target £30m. These outweighed a fall in the note circulation adding £430m to liquidity.

In Frankfurt credit conditions tightened. Call money rose to 4.95 p.c. from 4.85 p.c.

An expiring securities repurchase agreement tender will drain DM18.5bn in liquidity on Wednesday. The Bundesbank is expected to replace this with a tender for another pact, but D-Marks are also being sucked out of the domestic banking system by steady Bundesbank intervention to support the German currency on the foreign exchanges.

In Paris the Bank of France left its money market intervention rate at 6¾ p.c., at a securities repurchase tender against first category paper.

The central bank allocated FFr20.4bn in an agreement running until August 26. An earlier pact of FFr36.5bn expires today.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

NEW YORK

Prime rate	[illegible]	Three month	7.??	Five year	0.79
Broker loan rate	8¾	Six month	7.63	Seven year	0.97
Fed.funds	7⅞-⅞	One year	8.04	10-year	9.12
Fed.funds at intervention	-	Two year	8.48	30-year	9.13

Aug.8	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	4.90-5.00	5.00-5.15	5.05-5.20	5.10-5.25	5.30-5.50	5.00
Paris	6 11/16-7⅛	7⅛-7¼	7⅛-7⅜	7¼-7⅜	7⅝-7¾	6.75
Zurich	1½-1⅞	3¼-3⅜	-	3⅝-3⅞	-	-
Amsterdam	5⅛-5⅜	5⅜-5½	-	5⅝-5¾	-	-
Tokyo	3.78125	4.03125	-	4.09375	-	-
Milan	10-10½	10¾-11⅛	-	11-11½	-	-
Brussels	7.25	6 13/16-6 15/16	-	7⅛-7⅜	-	-
Dublin	7⅛-7½	7⅛-7⅜	7⅛-7⅜	7⅝-7⅞	8-8¼	-

LONDON MONEY RATES

Aug.8	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15	11	11	11⅛	11¼	11¼
Interbank Bid	10¼	10¾	10⅝	10 15/16	10⅞	11
Sterling CDs	-	-	10¾	10 15/16	10 15/16	10 15/16
Local Authority Deps.	9⅞	10	10⅞	11	11⅛	11⅛
Local Authority Bonds	-	-	10¾	11⅛	11¼	11⅜
Discount Mkt Deps.	11	10¾	10	10¾	-	-
Company Deposits	-	-	11	11⅛	11⅛	11⅛
Finance House Deposits	-	-	10⅞	10 15/16	11	11⅛
Treasury Bills (Buy)	-	-	10¾	10⅝	-	-
Bank Bills (Buy)	-	-	10⅞	10⅝	10⅝	-
Fine Trade Bills (Buy)	-	-	11⅛	11⅛	11¼	-
Dollar CDs	-	-	8.05-8.00	8.30-8.25	8.60-8.55	8.80-8.75
SDR Linked Dep Offer	-	-	6¾	7⅛	7⅜	7½
SDR Linked Dep Bid	-	-	6½	6 15/16	7⅜	7¼
ECU Linked Dep Offer	-	-	7⅛	7¼	7 7/16	7 11/16
ECU Linked Dep Bid	-	-	6 15/16	7¼	7 5/16	7 11/16

Treasury Bills (sell); one-month 10½ per cent; three months 10⅜ per cent; Bank Bills (sell); one-month 10¾ per cent; three months 10⅝ per cent; Treasury Bills; Average tender rate of discount 10.2220 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day July 29, 1988. Agreed rates for period August 24,1988 to September 25, 1988, Scheme I: 11.49 p.c., Schemes II & III: 11.86 p.c. Reference rate for period July 1,1988 to July 29, 1988, Scheme IV&V: 10.511 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10 from August 1, 1988. Bank Deposit Rates for sums at seven days notice 3.25 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7½ per cent; one-three months 9 per cent; three-six months 9 per cent; six-nine months 9½ per cent; nine-twelve months 9½ per cent; Under £100,000 7 per cent from July 5,1988. Deposits withdrawn for cash 5 per cent.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

I.G INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SW1W 0BD
Tel: 01-828 7233/5699 Reuters Code: IGIN, IGIO

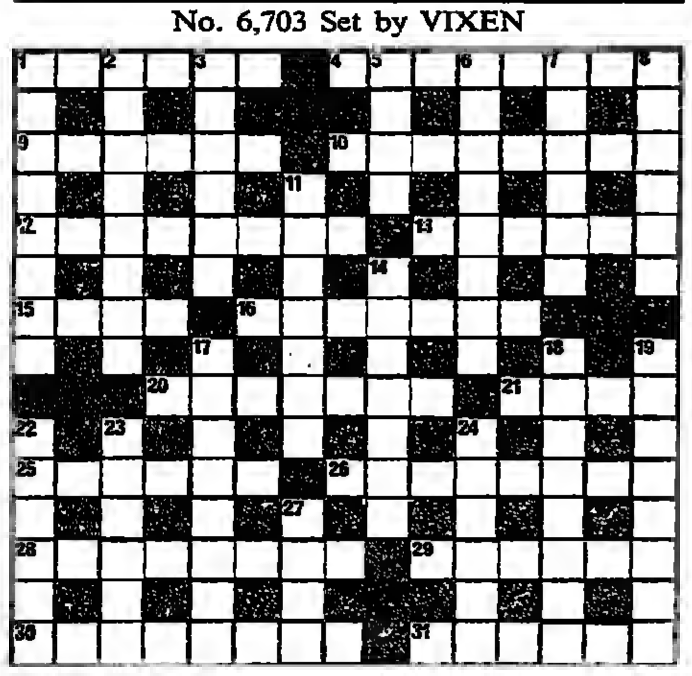
FT 30	FTSE 100	WALL STREET
Aug. 1506/1515 +2	Aug. 1866/1876 N/C	Aug. 2115/2127 +8
Sep. 1507/1516 +1	Sep. 1867/1877 N/C	Sep. 2121/2133 +8

Prices taken at 5pm and change is from previous close at 9pm

JOTTER PAD

CROSSWORD

No. 6,703 Set by VIXEN



ACROSS

1 Swell painter's equipmeot (6)
4 Put round about shortage resulting in power cut (8)
9 Gets fleshy fruit with soft interior (6)
10 Toasting a writer (8)
12 Here within the hotel a casual sort of shirt appears natural (8)
13 A number possibly bite though! (6)
15 Some people, wben retired, enjoy the gardeo (4)
16 Bill's settled, as this proves (7)
20 Mere lad in revolt – so green (7)
21 Long to make deal (4)
25 Excellent jewellery for showing off (8)
26 An eod to dooble-parking will be accepted by the wise (8)
28 The drink of tbe French medico and maybe English too (8)
29 Exercise quite a bit before a game (6)
30 Floods causing rock fractures (8)
31 Notice present and hold on (6)

DOWN

1 Paid a visit – patcbed things up (8)
2 "Blossoming boughs of April in —— shake" (Bridges) (8)
3 No longer insoleot, being clever (6)
5 A winger's prank (4)
6 Flora's neat underwear (8)
7 Twist maybe, and so spend ooe's time surrounded by gold (6)
8 Wear totally unsuitabla for loose women? (6)
11 He'd run a crooked organisation – sbould be ignored (7)
14 Let down, fed up and behind-hand (7)
17 Reputation is cardinal! (8)
18 Covering article in favour of cutting 21 across (8)
19 A representative will have oriental support in time (8)
22 Travel cbanged for reprobate (6)
23 A resort for getting credit without capital (6)
24 Padres prepared to broadcast (6)
27 Make all adjustments necessary in the current recession (4)

Solution to Puzzle No.6,702

GUIDE TO UNIT TRUST PRICING

The data included under the Authorised section of the FT Unit Trust Information pages is being expanded to improve the service to readers and to conform with new legislation.

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ✦ – 0001 to 1100 hours; ♦ – 1101 to 1400 hours; ▲ – 1401 to 1700 hours; ● – 1701 to midnight.

HISTORIC PRICING
The letter H denotes that prices are set on a historic basis. This means that, unless there has been an intervening portfolio revaluation, investors can normally buy and sell units today at the prices appearing in the newspaper which have been set on the basis of yesterday's asset value.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

Other explanatory notes are contained in the last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

	Init Chge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
TSB Unit Trusts (y) (1000)F						
Charlton Pl, Andover, Hants. SP10 1RE 0264 63434						
TSB American	5	100.57	100.57	106.86	+0.35	1.86
Do Accum	5	108.06	108.06	114.80	+0.37	1.86
TSB BrK Growth	5	56.33	56.33	59.93	+0.13	2.92
Do Accum	5	58.15	58.15	61.86	+0.12	2.92
TSB European	5	49.39	49.39	52.70	+0.23	1.23
Do Accum	5	50.74	50.74	54.15	+0.24	1.23
TSB Extra Income	5	151.63	151.63	161.31	+0.70	5.60
Do Accum	5	190.84	190.84	203.02	+0.90	5.60
TSB Smaller Cos	5	55.92	57.60	61.20	+0.10	1.12
Do Accum	5	56.49	58.20	61.91	-0.10	1.12
TSB General	5	181.05	181.67	193.21	+0.57	3.13
Do Accum	5	313.33	314.37	334.38	+1.00	3.13
TSB Gilt & Fxd Int	3¼	47.49	47.49	49.12	-0.08	8.79
Do Accum	3¼	71.71	71.71	74.16	-0.13	8.79
TSB Income	5	268.64	269.04	287.03	+1.01	4.58
Do Accum	5	440.83	451.02	479.75	+1.70	4.58
TSB Pacific	5	214.18	215.36	229.11	-0.02	0.31
Do Accum	5	222.64	223.91	238.20	-0.03	0.31
TSB International	5	329.57	330.60	351.80	+0.60	0.63
Do Accum	5	414.56	415.97	442.52	+0.74	0.75
TSB Nat Resources	5	64.34	64.34	68.45	-0.20	1.35
Do Accum	5	67.63	67.63	71.95	-0.20	1.35
TSB Sictu Opps	5	83.81	83.81	89.16	+0.32	2.24
Do Accum	5	94.47	94.47	100.50	+0.37	2.24
3i Unit Trust Managers Ltd (1000)F						
31 Homer Rd, Solihull, B91 3QA 01-428 3356						
Small Co's	5	50.06	50.06	53.48	+0.10	0.00
Target Trust Mngrs Ltd (1600)H						
Target Hse, Gatehouse Rd, Aylesbury, Bucks. Admin. 0296 394000 Dealing: 01-379 0860						
American Eagle	5	64.63	64.63	69.22	-0.02	0.85
Australia	5	8.205	8.210	8.700	-0.100	0.10
Commodity	5	83.07	83.07	89.52	-0.07	0.55
Convertible	5	149.1	149.1	160.6	+0.1	4.76
Equity	5	151.6	151.6	162.9	-0.3	3.21
Euro Spec Sits	5	79.06	79.06	85.20	-0.36	1.60
Financial	5	32.25	32.73	35.24	+0.04	1.93
Global Opps Inc	5	58.40	58.40	62.95	-0.02	0.59
Global Opps Acc	5	58.40	58.40	62.95	-0.02	0.59
Gold Income	5	55.18	55.18	59.22	-0.72	0.00
Gold Acc	5	101.6	101.6	109.1	-1.5	0.00
Income	5	108.5	108.5	116.6	-0.4	4.35
Japan	5	120.0	120.0	129.1	-0.5	0.00
Pacific Income	5	118.5	118.5	127.5	-0.2	3.06

	Bid Price	Offer Price	+ or -	Yield Gross
MIM Ltd				
Magd Pens (Acc)	55.4	59.0	+0.3	0.80
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Expt Aug 3	40.2	41.7	+0.0	2.14
Euro Expt Aug 3	39.4	41.3	+0.0	2.27
Fixed Int Ex Aug 3	48.5	50.8	.....	9.54
Japan Expt Aug 3	54.0	56.1	+0.0	0.6
Managed Ex Aug 4	40.2	41.8	+0.0	4.25
SE Asia Expt Aug 3	39.1	41.6	+0.8	1.95
Sm Cos Expt Aug 3	45.0	47.2	+0.0	2.48
UK Eqty Ex Aug 3	36.9	38.7	+0.0	3.72
New Court Property Fund Managers				
NC Property	109.5	199.5	.....	–
Phillips & Drew Fund Management Ltd				
PDFM Small Co Fd	812.0	862.0	.....	3.50
Do Accum	838.0	890.0	.....	3.50
PDFM Int Expt Aug 4	125.8	127.9	.....	2.70
J. Rothschild Fund Managers Ltd				
Intl Exempt	93.19	94.40	–	3.00

INSURANCES

	Bid Price	Offer Price	+ or -	Yield Gross
AA Friendly Society				
Investment Mngt N & C Inv Mngt Ltd				
AA Friendly Sy July 8	–	141.4	.....	–
Abbey Life Assurance Co Ltd				
80 Holdenhurst Road, Bournemouth 0202 292373				
Prop. Ser. 1	251.0	264.3	.....	–
Equity Ser. 1	118.2	124.5	+0.3	–
Prop. Acc. Ser 2	363.4	382.6	.....	–
Equity Ser 2	134.2	141.3	+0.3	–
Selective Acc	291.6	307.0	+0.4	–
Prop. Ser. 4	284.1	299.7	.....	–
Equity Ser. 4	135.7	142.9	+0.2	–
Fixed Int. Ser. 4	212.7	223.9	-0.5	–
Indexed Inv. Ser. 4	122.2	128.7	+0.3	–

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

UK LISTED

OFFSHORE INSURANCES

هكذا وجد الأصل

FT UNIT TRUST INFORMATION SERVICE

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1988 High	1988 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
99[illegible]	83[illegible]	Redemption 3pc 1986-96	99[illegible]		3.02	7.82
100[illegible]	99[illegible]	Treas. 9½pc '88	99[illegible]		9.53	10.81
102[illegible]	100[illegible]	Treas 11½pc 1989	100[illegible]	[illegible]	11.46	10.72
101[illegible]	99[illegible]	Treas 9½pc Cnv 1989	[illegible]	[illegible]	9.57	10.56
97[illegible]	95[illegible]	Treas 3pc 1989	[illegible]	[illegible]	3.10	7.36
102[illegible]	99[illegible]	Treas 10½pc 1989	[illegible]	[illegible]	10.51	10.58
102[illegible]	99[illegible]	Exch 10pc 1989	99[illegible]	[illegible]	10.05	10.58
103[illegible]	100[illegible]	Exch 11pc 1989	100[illegible]	[illegible]	10.96	10.54
97[illegible]	95[illegible]	Treas 5pc 1986-89	95½	[illegible]	5.23	9.00
104[illegible]	100	Exch 10¼pc Cv '89	100[illegible]	[illegible]	10.24	10.08
107½	103	Treas 13pc 1990‡‡	103½	[illegible]	12.56	10.28
104[illegible]	100[illegible]	Exch 11pc 1990‡‡	101[illegible]	[illegible]	10.89	10.26
107[illegible]	102[illegible]	Exch. 12½pc 1990	103[illegible]	[illegible]	12.14	10.43
93[illegible]	91[illegible]	Treas. 3pc 1990	91[illegible]	[illegible]	3.27	8.25
99[illegible]	97[illegible]	Treas 8¼pc 1987-90‡‡	97[illegible]	[illegible]	8.48	9.86
102[illegible]	97[illegible]	Treas. 8pc Cv 1990 ‡‡	98[illegible]	[illegible]	8.17	9.18
103[illegible]	98[illegible]	Treas. 10pc Cv 1990	99[illegible]	[illegible]	10.06	10.30
91[illegible]	82[illegible]	Exch 2½pc 1990	88[illegible]	[illegible]	2.81	7.84
107[illegible]	102[illegible]	Treas 11¾pc 1991	103[illegible]	[illegible]	11.42	10.32
95[illegible]	91[illegible]	Funding 5¾pc '87-91‡‡	91[illegible]	[illegible]	6.25	9.18
90[illegible]	87[illegible]	Treas. 3pc 1991	87[illegible]	[illegible]	3.41	7.92
105[illegible]	99[illegible]	Treas 10pc Cv '91 ‡‡	100[illegible]	[illegible]	9.95	9.78
107[illegible]	101[illegible]	Exch. 11pc 1991	102[illegible]	[illegible]	10.78	10.21
98[illegible]	93[illegible]	Treas. 8pc 1991	93[illegible]	[illegible]	8.51	10.15
113[illegible]	107	Treas 12¾pc 1992‡‡	107[illegible]	[illegible]	11.89	10.20
104[illegible]	99[illegible]	Treas 10pc 1992	99[illegible]	[illegible]	10.04	10.12
98[illegible]	93[illegible]	Treas. 8pc 1992 ‡‡	93[illegible]	[illegible]	8.55	10.11
106[illegible]	100[illegible]	Treas 10½pc Cv 1992‡‡	100[illegible]	[illegible]	10.40	10.15
86[illegible]	83[illegible]	Treas. 3pc 1992	84[illegible]	[illegible]	3.57	7.89
112[illegible]	106[illegible]	Exch. 12¼pc '92	106[illegible]	[illegible]	11.49	10.20

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

AMERICANS—Contd

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
28⅛	19½	Texaco $6.25	27½	–¼	†$3.00	—	6.3
60¼	43¾	Time Inc. $1	50½	+¼	$1.00	—	1.0
20⅛	13⅞	Transamerica $1	20¼	+¼	$1.84	—	5.3
		For Transworld see TW Services					
20¼	14½	TRINOVA Corp.	16⅛	+½	64c	—	2.3
19	13¼	USX $1	17⅞	–⅛	$1.20	—	3.9
23	17⅝	Utd. Technologies	22⅝	+½	$1.60	—	4.2
33½	26¼	US West‖	33	+¼	$3.52	—	6.3
21¾	16⅞	Waste Management $1	23¾	+¼	48c	—	1.3
16⅞	12⅞	Whirlpool $1	13⅛	+¼	$1.10	—	4.1
32¼	18¼	♥Woolworth $3½	29½	+⅜	$1.64	—	3.3

CANADIANS

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
309p	173p	ABM Gold Corp ‖	237p	.....	—	—	—
32p	11p	♥Abbot Energy Corp.	26p	+1	—	—	—
14¼	990p	♥Amer. Barrick Res.	11¼	.....	—	—	—
10p	3½p	American Lightwave	6½p	.....	—	—	—
47p	16½p	♥Armeno	17p	+½	—	—	—
76p	45p	Augmitto Expln.	56p	.....	—	—	—
13⅞	10⅝	Bk. Montreal ‖	13¼	+⅛	$2.00	—	7.1
697p	514p	Bk. Nova Scot. ‖	693p	.....	76c	—	5.3
18⅛	13¼	BCE ‖	18⅛	+⅛	$2.44	—	6.5
716p	591p	♥Bow Valley‖	669p	.....	†40c	—	2.9
13⅛	10⅛	♥Brascan‖	13⅛	.....	88c	—	3.3
328p	189p	♥Breakwater Res.	236p	.....	10c	—	2.1
11¾	801p	Can. Imp Bank‖	11¾	.....	$1.16	—	6.8
11½	841p	Can. Pacific ‖	10⅞	.....	60c	—	2.7
41½	40	Do. 4pc Deb £100	40½	.....	4%	—	9.9
515p	362p	Central Capital "A" ‖	500p	+1	—	—	—
485p	349p	♥Corona Corp	457p	+1	—	—	—
886p	288p	Cons. TVX Min.	372p	–17	—	—	—
323p	76p	Darbus Res.	323p	+1	—	—	—
686p	430p	Derlan Inds.	622p	+2	11.75c	—	0.9
14¼	984p	♥Echo Bay Mines	11⅛	.....	$0.07	—	0.4
40p	26p	Energex Minerals	30½p	–1	—	—	—
125p	83p	Euro-Asia Capital Ltd.	122p	.....	—	—	—
386p	222p	♥Galactic Resources	298p	.....	—	—	—
125p	92p	♥Geodome Res	97½p	+½	—	—	—
394p	206p	Granges Expln‖	227p	+6	—	—	—
17p	8½p	♥Gt. Pacific Res.	15p	–1	—	—	—
903p	652p	♥Gulf Canada‖	880p	–8	52c	—	2.9
12⅞	816p	♥Hawker Sid Can‖	11⅛	.....	$1.08	—	4.5
590p	344p	Henlys Group	488p	–47	—	—	—
957p	785p	♥Hudson's Bay ‖	917p	–1	60c	—	3.2
28	22⅞	♥Imperial Oil‖	28	+¼	$1.80	—	5.1
20⅞	10⅞	Inco‖	17½	.....	US$0.80	—	2.7
718p	462p	♥Inland Nat. Gas $1	603p	+1	60c	—	4.8
250p	150p	Madeleine Mines	210p	+1	—	—	—
207p	126p	♥Muscocho Expln.	207p	+8	—	—	—
187p	75p	♥Ntnl Business Syst.‖	103p	.....	—	—	—
245p	110p	♥Nevada Goldfields	212p	.....	—	—	—
12	787p	♥Rio Algom	10⅞	+⅛	$1.30	—	5.8
16⅛	11½	Royal Bk. Can. ‖	16⅛	+⅛	$2.08	—	6.2
34⅛	26⅛	Seagram‖	32⅛	–⅛	US$1.20	—	2.2
361p	177p	♥Sonora Gold Corp‖	180p	.....	—	—	—
111p	18p	Spiral Eng.	105p	.....	—	—	—
150p	35p	Taro Pure Tech. Corp. ‖	140p	+6	—	—	—
16¼	11¾	Toronto-Dom. Bk. ‖	16¼	+⅜	$1.12	—	3.4
64p	14p	♥Trans Atlantic Res ‖	24½p	.....	—	—	—
684p	566p	♥Trans Can Pipe	642p	+10	68c	—	5.2
205p	127p	Varity Corp‖	186p	–1	B–	—	—

BANKS, HP & LEASING

1988 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
*232	124	ANZ $A1	225xr	.....	qtQ21c	3.1	4.3	7.6
281	200	Allied Irish β	256	.....	Q65.3%	3.1	5.3	8.1
£13¼	£10¼	Algemene Fl.10	£13⅛	+⅛	Q27%	1.9	5.8	—
73	58	Anglo Irish γ	65	.....	Q19.49%	1.2	6.3	20.3
90	64	Ansbacher (H.) 1p. β	90	+1	2.0	—	3.0	—
£40½	£24⅝	Banco de Bilbao S.A.	£36½	.....	Q67.2%	3.1	4.5	7.0
£35⅛	£27⅛	Banco de Santander	£30¼	.....	Q22%	2.4	1.8	23.6
*268	184	Bank Ireland IrE1. β	242	–6	Q15.67%	3.3	5.4	7.5

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INSURANCES

LEISURE

LONDON SHARE SERVICE

LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING—Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								
6	2	Pennine Resources ¥	5	−½	●	—	—	—
60	33	Propeller 1p ¥	55	......	—	—	—	26.6
31	13	Publishing Hldgs.5p ¥	22	......	—	—	—	13.2
237	150	Royal Sovereign 10p ¥	235	−2	4.6	1.9	2.6	22.0
26	22½	Scott Pickford 10p ¥	25½	+1	3.1	0.7	16.2	13.2
115	68	Seacon Hldgs ¥	115	+7	—	—	—	—
13½	13	Sonic Tape 2½p ¥	15	+1	●	—	—	19.7
27	18	Staks Hldgs. 5p ¥	23	+1	—	—	—	●
4½	3	Swanyard Studios 1p ¥	3¼	......	—	—	—	‡
298	200	Takare ¥	288	−5	61.0	8.1	0.5	29.6
[illegible]	41	Theme Holdings ¥	66	−1	♦1.1	●	2.2	‡
[illegible]	26	Tomorrows Leisure 20p ¥	30	......	—	—	—	♦
[illegible]	13½	Tullow Oil 10p ¥	19	......	—	—	—	—
[illegible]	115	UPL Group 10p ¥	125	+8	L2.41	4.3	2.6	17.0
[illegible]	120	Unit Group ¥	180	+2	3.0	●	3.7	●
[illegible]	85	Video Tape Rec 5p ¥	122	−3	L2.3	2.3	2.5	17.6

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p ¥	71	......
Craig & Rose £1 ¥	700	......
Finlay Pkg. 5p ¥	89	−1
Holt (Jos) 25p ¥	£11½	+¼

IRISH

Nat. 9¼% 84/89	£100¼	......
9pc Cap Ln. 1996	£99½	......
Fin. 13% 97/02	£119	......
Arnotts ¥	365	......
CPI Hldgs ¥	138	+2
Carroll Inds ¥	150	......
Hall (R. & H.)	150	......
Heiton Hldgs ¥	56	......
Irish Ropes ¥	160	......
Unidare ¥	490	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	35
Amstrad	16
BAT	36
BOC Grp.	36
BSR	8
BTR	22
Barclays	35
Beecham	42
Blue Circle	38
Boots	19
Bowaters	35
Brit Aerospace	35
Brit. Telecom	22
Burton Ord.	21
Cadburys	32
Charter Cons	30
Comm Union	34
Courtaulds	34
FKI Babcock	12
FNFC	23
Gen Accident	85
GEC	13
Glaxo	85
Grand Met	45
GUS 'A'	95
Guardian	85
GKN	28
Hanson	12
Hawker Sidd	45
ICI	72
Jaguar	26
Ladbroke	38
Legal & Gen	25
Lex Service	33
Lloyds Bank	26
Lucas Inds	50
Marks & Spencer	17
Midland Bk	37
Morgan Grenfell	38
NEI	10
Nat West Bk	52
P & O Dfd	52
Plessey	16
Polly Peck	30
Racal Elect	32
RHM	30
Rank Org Ord.	64
Reed Intnl.	36
STC	24
Sears	11
TI	28
TSB	9
Tesco	14
Thorn EMI	60
Trust Houses	21
T&N	17
Unilever	42
Vickers	14
Wellcome	45

Property

Brit Land	30
Land Securities	52
MEPC	52
Peachey	50

Oils

Brit. Gas	25
Brit Petroleum	24
Burmah Oil	50
Charterhall	3
LASMO	40
Premier	7½
Shell	95
Ultramar	26

Mines

Cons Gold	95
Lonrho	20
RTZ	35

A selection of Options traded is given on the London Stock Exchange Report Page

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Monday August 8 1988 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj 1988 to date	Fri Aug 5 Index No.	Thu Aug 4 Index No.	Wed Aug 3 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (209)	826.39	----	9.82	3.85	12.63	15.94	826.38	823.47	816.64	929.45
2 Building Materials (29)	1051.15	-0.7	10.84	4.04	11.33	18.65	1058.10	1047.22	1033.21	1196.82
3 Contracting, Construction (37)	1626.89	----	10.20	3.29	12.02	26.91	1626.77	1616.03	1609.47	1697.95
4 Electricals (12)	2240.27	-0.1	8.28	4.45	14.93	48.11	2241.96	2238.17	2237.63	2407.27
5 Electronics (31)	1798.32	+0.2	9.61	3.35	13.36	37.62	1794.19	1790.77	1700.18	1978.24
6 Mechanical Engineering (56)	437.20	+0.6	9.66	4.00	12.85	0.49	434.57	433.19	420.60	501.72
6 Metals and Metal Forming (7)	504.80	-0.1	9.30	1.77	13.27	7.95	505.44	506.25	500.28	532.14
9 Motors (14)	294.82	+0.4	11.09	4.40	10.44	5.54	293.68	291.30	289.65	380.09
10 Other Industrial Materials (23)	1340.50	-0.3	8.81	4.16	13.57	28.21	1344.44	1358.59	1339.11	1530.02
21 CONSUMER GROUP (186)	1118.61	+0.3	8.80	3.52	14.36	17.68	1115.56	1112.37	1109.72	1283.14
22 Brewers and Distillers (21)	1139.84	+1.8	10.43	3.57	12.09	17.80	1119.75	1117.30	1116.88	1155.92
25 Food Manufacturing (21)	1013.03	+0.3	8.52	3.60	15.01	17.45	1010.20	1012.10	1009.98	1003.75
26 Food Retailing (16)	2012.53	----	8.60	1.31	15.35	29.07	2011.53	2004.03	2007.28	2377.11
27 Health and Household (12)	1881.64	-0.3	6.61	2.59	17.36	18.01	1886.80	1883.57	1882.81	2474.24
29 Leisure (30)	1395.36	+0.3	8.21	1.60	15.59	24.81	1391.77	1387.12	1369.31	1322.60
31 Packaging & Paper (17)	540.00	+0.4	9.11	3.77	14.08	9.64	537.93	535.91	536.12	655.19
32 Publishing & Printing (18)	3647.52	+0.2	7.83	4.19	16.03	72.37	3638.80	3622.10	3613.63	4232.14
34 Stores (34)	829.62	-0.2	10.02	3.91	13.12	14.57	831.47	827.20	823.53	1064.74
35 Textiles (17)	614.11	-0.2	11.27	4.43	10.42	12.51	615.35	608.44	609.34	798.79
40 OTHER GROUPS (93)	909.89	-0.2	10.91	4.32	11.18	17.93	911.88	911.00	911.48	1099.99
41 Agencies (19)	1119.23	-0.4	8.06	2.44	15.69	17.95	1123.58	1121.29	1125.36	1639.88
42 Chemicals (21)	1070.57	-0.6	11.81	4.70	10.16	25.01	1085.48	1084.21	1083.90	1406.29
43 Conglomerates (13)	1237.09	-0.5	10.52	4.31	11.18	20.98	1243.92	1237.54	1237.89	1423.20
45 Shipping and Transport (12)	1990.22	+0.1	10.80	4.50	12.26	34.04	1987.88	1976.32	1953.27	2230.65
47 Telephone Networks (2)	970.09	-0.2	11.45	4.59	11.33	20.38	972.17	973.74	977.95	1067.85
48 Miscellaneous (26)	1211.64	+0.5	11.26	4.26	10.15	24.64	1205.67	1209.47	1210.91	1356.66
49 INDUSTRIAL GROUP (488)	998.43	+0.1	9.65	3.83	12.89	17.77	997.77	995.24	992.87	1155.60
51 Oil & Gas (12)	1846.43	-0.3	10.00	5.77	11.90	50.45	1852.87	1843.40	1843.25	2303.91
59 500 SHARE INDEX (500)	1070.40	----	9.81	4.10	12.74	20.55	1070.31	1067.23	1064.28	1253.07
61 FINANCIAL GROUP (122)	718.34	+0.1	-	4.82	-	17.45	717.55	714.02	711.83	795.01
62 Banks (8)	679.93	+0.5	21.05	6.42	6.37	24.36	676.53	667.64	663.11	795.32
65 Insurance (Life) (8)	1082.74	-0.1	-	4.63	-	24.97	1083.61	1083.51	1086.64	1063.03
66 Insurance (Composite) (7)	561.39	-0.3	-	5.27	-	13.82	562.89	561.71	561.58	605.53
67 Insurance (Brokers) (7)	1003.89	+0.6	9.59	6.34	13.47	31.54	998.16	988.74	1000.96	1251.99
68 Merchant Banks (11)	362.29	+0.7	-	3.99	-	7.03	359.65	359.10	356.03	469.95
69 Property (51)	1255.59	-0.2	5.08	2.58	25.64	14.21	1257.66	1257.71	1253.81	1215.50
70 Other Financial (30)	385.56	----	10.40	5.05	12.05	9.41	385.56	384.30	381.45	544.70
71 Investment Trusts (78)	933.03	+0.4	-	2.97	-	12.35	929.74	927.04	923.97	1187.45
81 Mining Finance (2)	527.65	-0.6	9.08	3.56	12.46	8.12	530.77	529.29	523.09	657.48
91 Overseas Traders (8)	1172.90	----	9.82	4.76	11.96	29.22	1173.50	1172.03	1147.79	1136.65
99 ALL-SHARE INDEX (710)	978.50	----	-	4.17	-	19.36	978.32	975.20	972.14	1135.45

	Index No.	Day's Change	Day's High	Day's Low	Aug 5	Aug 4	Aug 3	Aug 2	Aug 1	Year ago
FT-SE 100 SHARE INDEX ‡	1876.0	+0.1	1885.2	1875.0	1875.9	1869.7	1865.1	1855.5	1862.2	2242.2

FIXED INTEREST

PRICE INDICES	Mon Aug 8	Day's change %	Fri Aug 5	xd adj. today	xd adj. 1988 to date
British Government					
1 5 years	120.20	-0.32	120.59	-	7.00
2 5-15 years	136.50	-0.31	136.92	-	8.49
3 Over 15 years	148.67	-0.11	148.83	-	7.45
4 Irredeemables	167.64	+0.50	166.80	-	7.30
5 All stocks	134.07	-0.28	134.44	-	7.87
Index-Linked					
6 5 years	128.03	-0.01	128.04	-	1.12
7 Over 5 years	121.60	-0.19	121.83	-	2.13
8 All stocks	121.95	-0.17	122.16	-	2.04
9 Debentures & Loans	118.15	+0.52	117.53	-	6.61
10 Preference	92.12	------	92.12	-	3.61

AVERAGE GROSS REDEMPTION YIELDS		Mon Aug 8	Fri Aug 5	Year ago (approx.)
British Government				
1 Low	5 years	9.66	9.51	9.10
2 Coupons	15 years	9.36	9.36	9.76
3	25 years	9.08	9.08	9.76
4 Medium	5 years	10.11	9.95	10.29
5 Coupons	15 years	9.60	9.58	10.02
6	25 years	9.31	9.31	9.82
7 High	5 years	10.21	10.05	10.36
8 Coupons	15 years	9.75	9.73	10.20
9	25 years	9.34	9.35	9.85
10 Irredeemables	†	9.65	9.53	9.75
Index-Linked				
11 Inflation rate 5%	5yrs.	2.90	2.86	2.98
12 Inflation rate 5%	Over 5 yrs.	3.82	3.80	3.93
13 Inflation rate 10%	5yrs.	1.89	1.85	2.70
14 Inflation rate 10%	Over 5 yrs.	3.65	3.63	3.90
15 Debs &	5 years	10.86	10.90	10.86
16 Loans	15 years	10.85	10.89	10.86
17	25 years	10.85	10.89	10.86
18 Preference	†	9.79	9.78	10.59

‡ Opening Index 1883.2; 10 am 1883.4; 11 am 1883.0; Noon 1884.7; 1 pm 1876.3; 2 pm 1877.3; 3 pm 1876.1; 3.30 pm 1875.5; 4 pm 1876.7

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.
NAME CHANGES: Saga Holidays is now Saga Group (29).

LONDON TRADED OPTIONS

Option	Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

August 8 Total Contracts 33,402 Calls 26,021 Puts 7,381
FT-SE Index Calls 892 Puts 555
*Underlying security price.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	4	102	7
Corporations, Dominion and Foreign Bonds	1	18	33
Industrials	476	313	801
Financial and Properties	187	106	362
Oils	22	32	34
Plantations	5	1	7
Mines	39	65	88
Others	117	39	106
Totals	851	676	1,438

TRADITIONAL OPTIONS

- First Dealings July 25
- Last Dealings Aug 5
- Last Declarations Oct 27
- For settlement Nov 7

For rate indications see end of London Share Service

Stocks to attract money for the call included Dunton Group, Scottish and Newcastle, Elswick, Trition, Burton, Storengard, Pleasurama, Amstrad, Seter and Westminster and Country Properties. No call options were reported but a double was arranged in Sears.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. date	1988 High	1988 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price p	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

LONDON STOCK EXCHANGE

Equities surprised by base rate move

THE SIGNAL from the UK monetary authorities for another half point rise in domestic interest rates threw cold water over an initially optimistic equity sector yesterday. The move to 11 per cent base rates also caused a sharp fall in short-dated Gilts, as traders squared positions ahead of tomorrow's auction of £750m of 1994 stock.

Equities opened in good form, adding 8.8 points to last week's gain in the FT-SE Index following favourable comments in the weekend press from analysts at several leading brokerage houses.

Despite some worry over the outlook for transatlantic interest rates in the wake of Friday's report of strong US employment levels, several London specialists predicted a further rise in the UK market during the remainder of the year.

However, the Bank's signal to the London money markets, soon followed by base rate increases from all the major UK banks, wiped out early gains in share prices, and the market moved briefly below Friday's closing levels.

Equities recovered their poise, however, and closed on a steady note, with speculative interest re-ignited after Grand Metropolitan disclosed approaches to buy its Inter-Continental Hotels division, valued by some analysts at more than £1bn. Equities also expect to benefit this week from re-investment of the £2bn plus Rowntree bid money, available as the 21-day waiting period on bid acceptances expires.

The FT-SE Index closed a net 0.1 higher at 1876.0, sustaining itself at the best levels seen since the week of the October Crash. Provisional Seaq volume of 369.2m shares, compared with Friday's 355.8m, indicating a firm undertone.

The equity sector overall was inclined to play down the significance of the latest base rate rise. Some analysts suggested this might be the final upward turn of the screw, and that the timing had been forced on the authorities by the Gilts auction already set for tomorrow.

Others, however, warned that the authorities might have acted in anticipation of the UK bank lending and money supply figures for July, due next week. Warburg Securities, together with other UK securities houses, fears that M 4 bank lending could show a record monthly rise of around £9.5bn, and warns that if yesterday's credit tightening fails in its object, then domestic rates could be forced yet higher in the autumn. Nevertheless, Gilts paid little heed to yesterday's batch of data on UK retail sales, consumer credit and producer prices.

Short-dated Gilts swung downwards quite violently, ending a net 1½ off, although there was little retail selling. Closing yields of around 10.2 per cent on the shorts still looked high against 11 per cent base rates. The upset in shorts undermined early gains in long dates.

Account Dealing Dates

First Dealings	Option Declarations	Last Dealings	Account Day
Aug 1	Aug 11	Aug 12	Aug 22
Aug 15	Sep 1	Sep 2	Sep 12
Sep 5	Sep 15	Sep 16	Sep 26

*New time dealings may take place from 9.00 am two business days earlier.

FINANCIAL TIMES STOCK INDICES

	Aug 8	Aug 5	Aug 4	Aug 3	Aug 2	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	88.23	88.35	88.37	87.88	88.02	88.12	91.43 (18/4)	86.97 (13/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.84	97.77	97.68	97.69	97.54	96.24	98.67 (25/5)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1514.7	1512.8	1508.5	1502.0	1491.4	1742.8	1512.6 (5/8)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	186.9	200.4	199.1	197.8	198.3	463.5	312.5 (7/1)	186.4 (13/5)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.48	4.48	4.50	4.51	4.55	3.32				
Earning Yld. % (full)	11.36	11.37	11.42	11.45	11.53	8.23				
P/E Ratio (Net) (*)	10.73	10.71	10.66	10.64	10.57	14.86				
SEAQ Bargains (5pm)	26,351	25,828	25,115	23,513	22,970	46,016				
Equity Turnover (£m)	-	1200.04	1032.88	1037.74	971.99	1353.82				
Equity Bargains	-	26,059	25,542	22,529	25,483	57,484				
Shares Traded (ml)	-	355.8	408.7	352.0	377.2	617.6				

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1518.7	1520.1	1520.1	1522.3	1515.5	1517.3	1515.4	1515.6

DAY'S HIGH 1522.3 DAY'S LOW 1514.2

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. * Nil 10.63

S.E. ACTIVITY

Indices	Aug 5	Aug 4
Gilt Edged Bargains	113.7	118.7
Equity Bargains	172.7	156.5
Equity Value	2425.69	2087.32
5-Day average		
Gilt Edged Bargains	112.4	110.8
Equity Bargains	166.1	170.6
Equity Value	2076.53	1959.1

● London Report and latest Share Index: Tel. 0898 123001

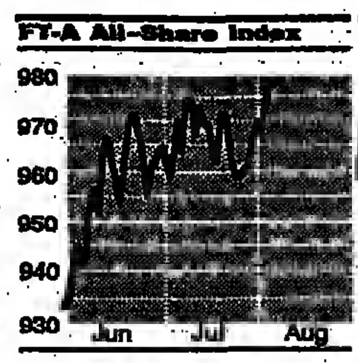
Hotels approach at G Met

Grand Metropolitan (G Met) jumped 26 pence to 522p on turnover of 9.5m shares after the company confirmed that it has had several approaches from parties interested in acquiring its Inter-Continental Hotels group. The two questions the market must now answer is who will buy Inter-Continental and what will Grand Met do with the approximately £1bn plus they expect to get from the sale?

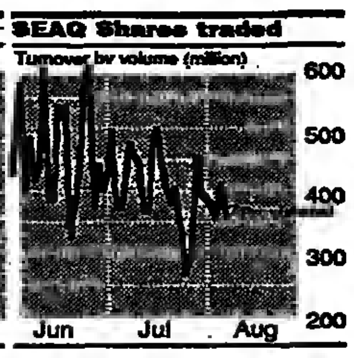
Inter-Continental's 100 hotels reported record profits last year so there should be no shortage of potential buyers. US hotel and leisure groups are expected to head the list, with the Marriott Corporation strongly tipped by analysts as likely bidders. As for what Grand Met will do after selling Inter-Continental, the company has given the market a heavy hint that its interest lies in making an acquisition in the foods or drinks sector.

"Grand Met sees value opportunities in the food industry that it cannot see in hotels," says Mr Colin Humphreys, analyst with Citicorp Scrimgeour Vickers. This was backed up by a senior dealer in foods stocks, who remarked that with so many vulnerable companies in the sector it is difficult to be precise about which company might attract Grand Met's attention. During the day the most talked of potential bid targets were Cadbury Schweppes, Northern Foods, Barker & Dobson and the brewers, Scottish & Newcastle.

FT-A All-Share Index



SEAQ Shares traded



Tonic for Bats

The successful appeal to the California Superior Court against the state Insurance Commisssioner's ruling on the Farmers Group bid was a tonic for BAT Industries. The shares regained Friday's lost ground on expectations that the decision, made two months ago and seen as a major setback in the UK group's efforts to acquire Farmers, will now be reversed and may influence the commissioners of other US states yet to announce their verdicts.

Mr Patrick Sheehy, chairman of BAT, expressed his delight, saying: "This is indeed excellent news. California, with more than 40 per cent of Farmers' business is certainly a key state for us". Mr Paul Burke, of Kleinwort Grieveson, who last Friday shaved his forecast of BAT full-year profits, was one of many UK analysts who agreed with that summation. The UK conglomerate must now have a good chance of winning its bid battle, he added.

There was speculation that BAT could decide to increase the terms of its offer, currently $63 for each Farmers' share, to put pressure on the US group. But investors were more concerned over the improved prospects for obtaining the US prize and BAT shares rose 4 to 428p.

BOC active

A good trade developed in BOC, the industrial gases to healthcare group, awaiting tomorrow's announcement of the third quarter results. Interest was stimulated by a buy circular from BZW, the UK securities house.

BZW expect pre-tax profits to increase by some 12 per cent to around £212m in spite of a net currency negative of around £4m at the pre-tax level.

Trading has generally been strong, especially in gases where overall volumes are thought to have increased by around 8 per cent.

BZW suggest that the growth trends established over the first nine months will be broadly maintained and, with the full recovery at Glasrock assisting, they project annual pre-tax profits of about £295m, compared with £263.2m. This gives an eps of approximately 42.1p (36.3p), an increase of roughly 16 per cent. On this basis BZW rate BOC shares as an attractive buy.

Volume in BOC amounted to 2.2m shares with the price setting a net 3 higher at 422p, after 427p.

Brent Walker dip

A press article questioning the profit made from US sales of a 13-part TV drama series on the paranormal entitled "Worlds Beyond" dragged shares of Brent Walker down. The company's view of the situation is understood to be quite different but, with chairman Mr George Walker on holiday, a statement was not formally issued.

Market uncertainty was aggravated by another Press suggestion that the group could emerge as one of several white knights for Pleasurama. A source close to Brent Walker disputed the story but the shares closed 24 lower at 403p.

GEC easily topped the list of active stocks in the electronics sector with securities house Kleinwort Grieveson keen supporters of the shares, which closed a net 2½ up at 164½p.

Weekend Press speculation of an imminent US acquisition and talk of a £2bn defence order by Malaysia, coupled with the recent turbine generator order worth £200m, was said to have triggered the substantial buying interest.

International stocks made a bright start bnt changed course after the base rate increase and subsequent advance in sterling. ICI mirrored the trend, ending a net 13 down at 1048, but volume was well under 1m shares. Glaxo settled a few pence cheaper at 979p, having touched 992p in early dealings.

The oil and gas sector was generally depressed despite a positive showing by crude oil prices — Brent crude for delivery in September was up around 65 cents yesterday afternoon, after reports that an Iraq–Iran ceasefire is imminent.

BP were finally a fraction off at 257p on turnover of 3.8m, and the partly-paid the same amount down at 58p after turnover of 2.8m, ahead of second quarter figures scheduled for Thursday.

County NatWest rate BP a "buy" and regard dividend worries prompted by oil price weakness as "unfounded". "The strength of downstream operations should go a long way to offsetting the weak upstream results" County says. The broker forecasts interim earnings per share of 6.6p compared with the last quarter figure of 4.4p, and is going for an interim dividend of 5p a share.

The surprise hike in bank base rates was perceived as positive for the leading banks although the sector was well below the day's best levels at the close. Additionally boosted by another strong recommendation for the sector by the bank research team at Citicorp Scrimgeour Vickers who rate all the "big-four" as a "buy", Lloyds added 4 at 314p and Midland and Barclays 3 apiece at 426p and 415p respectively.

Standard Chartered made early progress to 510p but later subsided to close unaltered at 508p as the market got wind of stories that the company may not announce a major £200m-plus rights issue along with its interim figures scheduled for Wednesday week. Earlier in the year Standard said it would be making a rights issue "when profits would support such an issue". Analysts are currently forecasting interim profits of around £132m for Standard, compared with the £224m loss suffered during the same period last year.

Insurances were mixed in front of the interim reporting season for the composites which kicks off on Wednesday with results from Commercial Union(CU) and General Accident. CU dipped 2 to 384p — BZW forecast pre-tax profits of £110m against last time's £82m, while Morgan Grenfell go for £108m and Pru-Bache for £106m.

General Accident, strongly supported by BZW and Morgan Grenfell and rated as "good value" by Hoare Govett, moved up 5 to 933p; the group's interim figures are forecast to rise to up to £156m from a comparable £102.8m.

A revival of bid rumours pushed Scottish & Newcastle 10 higher to 338p on turnover of 8m shares. The initial interest was sparked by news that Grand Metropolitan is selling its Inter-Continental Hotels group, with marketmakere immediately speculating that some of the proceeds from that sale might be spent on acquiring S&N. However, after more considered contemplation, talk turned to likelier predators such as Australian brewers Elders IXL. As one dealer pointed out, "Any bid for S&N from Grand Met would be instantly referred to the Monopolies and Mergers Committee." The heavy early buying of S&N was down to marketmakers not wanting to be caught short of stock, said the dealer.

Vaux dropped 12 to 698p as bid hopes faded. However, Mr Nigel Reed, analyst at Kitcat Aitken, does not rule out a bid from Queens Moat, which already holds a 4.37 per cent stake in Vaux. The fit between the two companies - Queens Moat's hotels are located primarily in the UK's south and Midlands whereas Vaux's 30 hotels are based mostly in the north east and Scotland - would be a neat one, says Reed, and he expects Queens Moat to build on its existing stake over the next few months.

British Aerospace moved back into the limelight following news of the Malaysian arms talks. Around 8m shares went through the system and the close was 14 up at 506p, after 509p. BAe, with its Tornado aircraft, is expected to be a principal beneficiary of any potential order. Other noteworthy stocks in the defence sector included VSEL Consortium, 10 to the good at 468p, Vosper Thornycroft, 4 dearer at 210p, and Smiths Industries, a similar amount higher at 278p.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
[illegible]				[illegible]				[illegible]				[illegible]			
Beecham	2,000	495	+6	Granada	1,500	311	+2	Pearson	1,300	790	+4	TSB	1,300	109	+1
Blue Arrow	5,800	99	-3	Grand Met.	9,300	522	+26	Pearl Group	110	483	-1	Tarmac	3,100	239	-5
Blue Circle	548	467	-3	GUS "A"	106	£10¼		P&O	1,600	597	+3	Tate & Lyle	469	857	+1
Boots	3,100	231	+1	Guardian R.E.	619	198	+1	Pilkington	3,900	223	+1	Tesco	1,700	151	+1
Brit. Airways	3,500	161	-2	GKN	307	342	-1	Plessey	1,900	166	-2½	THORN EMI	503	667	-1
Brit. Aerospace	1,900	506	+14	Guinness	1,300	334	+4	Prudential	595	169½	-½	Trafalgar House	892	314	-5
Brit. & Comm.	374	240		Hammerson	232	648	+1	Racal	4,200	328	-1	Trusthouse Forte	2,600	262	+1
British Gas	2,200	183	-½	Hanson	2,800	142	-1½	Rank Org.	160	724	-4	Ultramar	193	290	-3
BP	3,800	257	-1	Harrisons & Cros.	196	646	+2	RMC	451	481	-7	Unilever	1,400	478	
Brit. Telecom	2,100	244	-1	Hawker Siddeley	104	535	-2	RHM	825	452		United Biscuits	939	310	
Burmah Oil	168	550	-3	Hillsdown Hldgs	452	252	-1	Reckitt & Colman	165	944	-1	United News	121	443	
Burton	993	294	-3	IMI	369	210	+1	Redland	812	457	-5	Wellcome	513	518	-4
Cable & Wireless	2,900	382	+2	ICI	778	£10¼	-¼	Reed Intl.	1,800	454		Whitbread "A"	947	305	+1
Cadbury Schweppes	3,400	385	+7	Inchcape	422	721	+1	Reuters "B"	604	498	-3	Williams Holdings	1,800	299	+1
Coats Viyella	715	237		Jaguar	544	287	+1	RTZ	1,100	434	-3	Wimpey	925	235	-5
Commercial Union	980	384	-2	Ladbroke	1,600	451	+4	Rolls-Royce	3,900	144½	+4½	Woolworth	530	286	-1

There was good interest in some of the leading electronics, especially Racal, finally a penny off at 328p on turnover of 4.2m, with the market continuing to react to various rumours about the forthcoming flotation of Racal Telecommunications, a possible bid from Cable & Wireless, and also stories that a leading securities house had bought the C & W 2.8 per cent stake in Racal. C & W edged up 2 to 382p on turnover of 2.9m.

Building shares passed a rather subdued trading session with interest stifled by the latest move to dearer money. Prices generally gave ground but most dealers reported insufficent business to realy test the market. Among the Housebuilders, Bellway gave up 6 at 240p, while falls of around 4 were marked against Barratt Developments, 178p, and George Wimpey, 235p. Tarmac, one of the more briskly traded stocks, eased 5 to 239p.

A broker's recommendation left Marshalls Halifax 8 to the good at 255p, while demand in a restricted market lifted Newarthill 75 to 1675p. Falcon Industries firmed 3 to 103 on the agreed bid from Godfrey Davis, down 4 at 180p.

Cadbury Schweppes moved up 11 pence in early buying on rumours first that General Cinema had passed on its 28 per cent stake in Cadburys, and then that General Cinema had not sold but increased its holding.

Pearson moved ahead initially to 804p amid a revival of speculative activity, but drifted back following the announcement of the half-year figures to close 4 better on balance at 790p.

Pilkington held steady at 223p as the market assessed the implications of the Oftel report that it had uncovered big restrictive practices cartels in the supply of glass to the construction industry.

Packaging and paper stocks generated more interest as Citicorp Scrimgeour Vickers altered its stance on the sector from neutral to positive. Mr Graham Kemp, researcher for the securities house, bases his view on a combination of factors producing sector outperformance for the balance of the year.

Business in the Traded Options market was again brisk, with a total of 33,402 contracts reported, of which 26,021 were calls and 7,381 puts. The day's only real star performer was GEC, which notched up 2,137 calls and 833 puts. Activity in the FT-SE Index was also good, with 892 calls and 555 puts traded.

Other statistics P23

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (137).

AMERICANS (8) CANADIANS (4) BANKS (7) Algemene, Ansbacher (H.), Chesoury, Nat. Aust. Bk., Sec. Pacific, Wells Fargo, Westpac, BREWERS (2) Fuller S.T.A., Morland, BUILDINGS (8) Gleeson (M.J.), Harrison Inds., Howelson, Newarthill, Tay Homes, CHEMICALS (3) Akzo, Rosbaas Envmtl. Servs., Wardle Storeys, STORES (3) Coles Myer, Jacques Vert, ELECTRICALS (13) Audio Fidelity, Auto'ted Sec., Blick, Cambridge Elec., Dewhurst "A", Ealing Electro, Hoskyns Group, JSB Electrical, Logitek, MMT Computing, Manvier-Swain, Memec, Pressac, ENGINEERING (8) Brasway, Castings, Edbro, Howden Group, Newage Trans., 600 Group, Seville Gordon, Victaulic, Weir Group, FOODS (3) Bassett Foods, Carr's Milling, Kraft Inc., HOTELS (2) Ladbroke, Mt. Charlotte, INDUSTRIALS (22) AAI Invs.7½p, Arley, BBA 6.7pc Cm Rd Cv Pf, BSS Group, Bardsey, Boot (Henry), Bridgend Group, Caparo, Elders IXL, Falcon Inds., Hestair, Hille Ergonom, Merling Ind., Powell Duffryn, Ryan Intl., Scapa Group, Scot Heritable Tst., Securicor Gp "A" N-V, Security Services, Sylee-Pickavant, T.I.P. Europe, UDO Hldgs., INSURANCE (1) Lincoln Nat. Corp., LEISURE (4) Juliana's Hldgs., Prism Leisure Corp., Radio Clyde, Tyne Tees, MOTORS (5) Alexanders, Appleyard, Evans Halshaw, Trimoco 11½pc Ln '96, Western Motors, NEWSPAPERS (3) Hobsons Publishing, Sterling Publishing, Trinity Int. Hldgs., PAPERS (5) Goodhead Print, Osborne & Little, Shelton (Martin), TMD Advertising, Wace Group, PROPERTY (10) Bilin (P.), Caird Group, Cardiff Prop., Derwent Valley, Gt Port. Ests 91/2pc 2002, HK Land, Land Lease, Marlevale Moore, Prop. Sec. Inv., Shaftesbury, SHIPPING (1) Southampton I.O.W. Steam, SOUTH AFRICANS (1) Tiger Oats, TRUSTS (22) MINES (2) Barrack Mines, Delta Gold, THIRD MARKET (2) Season, Unit Group.

NEW LOWS (12).

BRITISH FUNDS (4) LOANS (2) BANKS (1) MCorp, FOODS (1) Acatos & Hutcheson, NEWSPAPERS (1) Portsm'th & Sund., TRUSTS (1) Perpetual, MINES (2) Bracken, Stilfontein.

APPOINTMENTS

Two Sealink directors

■ SEALINK BRITISH FERRIES has appointed Mr Harry Donker as technical director. He joins from Northern Marine Management, part of the Stena Group, and succeeds Mr David Barwell, who is retiring. Mr Donker's brief will also encompass the Sea Container's fleet, making him responsible for 44 ships.

The company has appointed Mr Michael Mulvey as purchasing and supplies director. He was catering and purchasing manager with P&O European Ferries, and managing director of subsidiaries East Anglian Ship Stores, and Magheramourne House Hotel.

■ Mr Peter A. Stokes has joined COCA-COLA Northern Europe as director of external affairs, based in London. He was group public affairs manager for Amersham International.

■ THE THROUGH TRANSPORT MUTUAL INSURANCE ASSOCIATION (TT CLUB) has appointed Mr Paulo Cotta to the board. He is a director of Empresa de Navegacao Alianca.

■ PREMIUM LIFE has appointed Mr Paul Gilbert as financial director. He was responsible for administration and accounts.

■ NATIONAL & PROVINCIAL BUILDING SOCIETY has appointed Mr Terence Patrick Bermingham as customer care co-ordinator. He joins from Research International.

■ Mr Derek Bell-Jones, managing director of UK disposable tableware manufacturer Deeko, has been appointed chairman of parent company NOKIA's European tabletop steering committee, and has re-aligned some of his UK responsibilities. Mr Roy Salmon becomes joint managing director. He was general manager, retail division, where he is succeeded by Mr Mike Hudson, who retains his responsibilities as sales director.

■ PERSIMMON has appointed Mr Paul West as technical director of Persimmon Homes (North West).

■ BAIN CLARKSON has appointed Mr Bill Barber as financial services director in its Bradford office. He joins from Barclays Insurance Services.

■ ENGLISH AND AMERICAN GROUP has appointed Mr K.J. Barthrowl as managing director of Tower Hill Services; Mr B.L. Gilbert as group internal auditor; and Mr J.H. McArthur as assistant general manager of English and American Underwriting Agency.

■ Mr Tony Lodge has been appointed managing director of ABB Industry, a company in the ASEA BROWN BOVERI GROUP. He was managing director of Stromberg (UK) and succeeds Dr Nils Leffler who has become vice president, marketing and sales, of ABB Process Automation, Mannheim, West Germany.

Mr Conor O'Brien (above) has been appointed chief executive officer of EXPEDIER LEISURE. He was managing partner of Binder Hamlyn's Thames Valley office.

■ Mr John C. Ritchie has been appointed vice president, European operations, and managing director of FLOWMOLE, Corby, European subsidiary of FlowMole Corporation, Seattle. He was president/managing director of Alnor Oy, Turku, Finland.

■ Mr John Slaven has joined SULZER (UK) PUMPS as sales director, a new post. He was marketing manager at Ingersoll Rand.

■ Mr Kerry Alberti has been appointed securities services director at MIDLAND GROUP OPERATIONS. He was senior vice president with Bankers Trust in New York and head of its global securities services group.

■ Mr Michael Angus, chairman of Unilever, is to join the board of BRITISH AIRWAYS as a non-executive director from Sepetmber 1. He will succeed Mr Basil Collins who retires at the end of the year.

■ LONDON & EDINBURGH TRUST has appointed Mr Gurth Hoyer Millar as a non-executive director. He is a main board director of J. Sainsbury, and chairman of subsidiaries J. Sainsbury (Properties), and Homebase.

■ CUTTS HOLDINGS has appointed Mr Nick Wyldbore-Smith as managing director of Cutts Leisure Interiors. He was development director for Benskins.

■ OIS, an inspection services group, has appointed Mr Kenneth McCleod as group financial controller and company secretary.

■ Mr James B. Pendle has been appointed to the board of TELFORD DEVELOPMENT CORPORATION.

COMMODITIES AND AGRICULTURE

Gulf peace hopes lift oil prices

By Steven Butler

OIL PRICES yesterday bounced up again following reports from the United Nations that details for a ceasefire in the Gulf war had been agreed by Iran and Iraq.

Brent crude oil for August delivery closed up 65 cents at $15.50 cents. Prices also firmed on the New York Mercantile Exchange, where September futures for West Texas Intermediate crude were up 47 cents at $15.73 in mid-day trading.

Peace in the Gulf is seen as improving the chances that the Organisation of Petroleum Exporting Countries will succeed in improving production discipline, particularly by devising a formula that would bring Iraq back into the quota system.

Iraq has refused to accept a quota for its oil production for the past two years, and has increased production to about 2.5m barrels a day in order to fund its war effort.

Analysts are split on the longer term implications of peace, with some believing that a contest for market share would lead Iran and Iraq to increase production rapidly.

For traders, however, the possibility of sudden Opec moves to shore up oil prices is a more immediate threat than increased production, which can be monitored and which would take several weeks to reach markets.

Yesterday's price rise follows a sharp decline in the price last week when a meeting of the 5-member Opec price committee ended in Lausanne with no immediate measures that promised to restore Opec discipline.

A new formula for Iraq's readmission into the quota system, however, appeared more likely following the meeting as Venezuela is understood to have said it would adopt a more flexible attitude toward the question.

Previously Venezuela had rigidly opposed assigning Iraq a quota equal to that of Iran since this would have reduced Venezuela's percentage share of total Opec production. Iran also fiercely opposed allowing Iraq a quota equal to its own.

It was unclear however how the Venezuelan offer of flexibility would translate into actual compromises, or whether this could be the basis of a new Opec agreement on quotas.

Dr Subroto, the Opec secretary general, is expected to continue consulting with Opec members in the coming weeks, and another meeting of the price committee is anticipated in late September.

The growing potential of organic agriculture

Bridget Bloom visits a go-ahead couple who prefer to farm in the old style

RACHEL'S DAIRY sits snugly in the Welsh Hills, not far from Aberystwyth. Within its white walls dairymaids pour big jugs of fresh milk into butter churns and yoghurt pots. Outside, in glossy, daisy-strewn fields, sandy Guernsey cows munch contentedly.

Time has stood still here – or so it seems. The dairy is spotless, modern and efficient, but in one key respect Brynllys Farm, to which it belongs, really is as much as it was 30, 40 or even 50 years ago, before the farming revolution brought high technology and chemicals to achieve miracles of higher production and countryside change.

As far as its owners, Rachel and Gareth Rowlands, know, Brynllys has always been an organic farm. Since Rachel's grandmother farmed it, no chemical fertilisers or pesticides have ever been used. Viability has depended on a careful mix of high quality dairy cattle and sheep as well as rotational grassland and arable crops for feed.

The Rowlands therefore get understandably cross at suggestions that they are now engaged in fashionable farming. "The way we farm is not alternative farming, and it's not diversification. It's how farming should be done, if you want to treat the land and your animals with respect," Gareth Rowlands says.

Nevertheless, organic farming is attracting a great deal more attention than it once did, for a range of reasons. It is losing its hippy or cranky connotations as more and more people seek chemical-free food, while the lower yields which organic farming usually brings have become increasingly attractive to governments faced with the bills for the spiralling costs of cereal mountains or milk lakes within the Enropean Community.

In what could prove an important pointer to a change of policy, the European Commission in Brussels has produced a new position paper on the environment and land use which recommends official encouragement of organic farming. The Commission is likely to produce proposals to that end before the end of the year.

In the sense that they have always been organic farmers, the Rowlands are not typical of the growing organic movement: generally the conversion from conventional to organic farming takes from five to 10 years, with farmers expecting – and today usually receiving – quite a hefty premium on their produce to compensate for the lower yields. Until five years ago, the produce (principally milk) from the Rowlands farm was sold through normal channels at the same prices as that from "conventional" farms. The last five years, however, has seen a marked change: the Rowlands have done what Britain's agriculture ministers have been urging farmers to do, which is to pay increasing attention to processing and marketing.

The 250-acre farm still has its pedigree Guernsey herd of 70 milking cows and about 90 "follower" cattle, a small flock of 130 breeding ewes and some 40 acres of cereals. But today nearly a third of the milk goes into butter, yoghurts, clotted cream and cottage cheese made on the farm. Much of this is now sold directly to food shops in Wales, the border counties and the Midlands, as well as in a recently-opened shop which Rachel runs alongside her kitchen.

In another five years the Rowlands – now being joined by their three adult children, planning an extension to the dairy and opening the farm to visitors – expect to process all their own milk and probably market the product as well.

Clearly they are contented with what they do and they live well, though without ostentation. They say the most difficult part of marketing their own produce initially was the discipline required. "Before, like lots of farmers, we might have left the books unlooked at for months. Now we are very rigorous, and adjust accordingly," Gareth says. Rachel adds that there is now an increased responsibility for the standard of product – "Before, when the tanker called and we got the milk cheque, that was it, like it still is for most dairy farmers."

Until they build their new processing facilities, the Rowlands will continue to send the balance of their milk to Lampeter, where two companies involved in producing and distributing organic foods throughout the UK have seen turnover rise from some £150,000 four years ago to an anticipated £4m this year.

Although the food processing and dairy operations of Welsh Organic Foods and Organic Farm Foods (Wales) are spotless, the office, packing hall and yard, where last week a bulldozer was clearing the way for another cold store, show signs of very rapid expansion.

Peter Segger, managing director of Organic Farm Foods, believes the company is the leading supplier of organic produce in Britain. It buys, packs and arranges for the distribution across the UK of fruit and vegetables, about half of which are imported – including lemons from Israel and carrots from Spain. The best looking produce tends to go to the three multiple retailers with which the company has contracts; some of the remainder is assembled, packaged and chilled and sold to them as salads.

Welsh Organic Foods make a small range of organic cheeses, including a soft cheese somewhat similar to Camembert and a tasty cheddar, and are also widely distributed.

Peter Segger thinks that the future of organically produced food depends to a large degree on its price – which in turn depends partly on the numbers of producers.

Reliable statistics are extremely hard to come by, partly because the 900 or so organic farmers believed to be operating in Britain (out of a total of more than 200,000 farmers) belong to half a dozen different associations and market their produce in an equally dispersed fashion. Organically produced fruit and vegetables may today account for less than 2 per cent of total consumption, but Peter Segger believes that if prices in the supermarkets continue at the current average of some 30 to 35 per cent above conventionally produced food, organic produce might capture between 5 and 7 per cent of the market for fruit and vegetables in the relatively near future. A 15 per cent premium, he thinks, could give a 15 per cent market share.

Sainsbury's, one of the supermarkets supplied by Organic Farm Foods, thinks this is over-optimistic. An executive of the company, which began selling organic foods 18 months ago and now offers it in 48 of its 280 stores, noted that the problems of assuring continuity of supply, combined with the price premium and the general lack of "aesthetic appeal" to consumers would probably keep the market small.

Peter Segger would like more farmers to convert to organic growing, partly to meet the Sainsbury criticisms. For this reason too he has been a leading light in attempting to get an experimental project off the ground in Wales as a means of thoroughly charting the problems and assessing the sort of help which it might be realistic to expect the Government to provide.

Feasibility studies for the plan, which could involve up to 100 farmers converting to organic farming over a five year period in the Teify Valley region of mid-Wales, have involved the Welsh Agricultural College and University College at Aberystwyth as well as farmers. Aid is being sought from the EC as well as matching funds from the Welsh Office, which is in charge of agriculture in the principality.

Opinions differ as to whether the pilot project has hit near-terminal or only tactical difficulties as it struggles through the bureaucratic process. Discussions are still continuing, with a decision expected before the end of the year.

Much of the problem for the Teify Valley project, as for the future of organic farming as a whole, seems to be that while both the EC and the British agriculture departments now say that they believe organic farming should be encouraged, they have not yet produced positive policies to that end. But that may well change within the next 12 months.

Bright start for Malaysian cocoa

By Wong Sulong in Kuala Lumpur

COCOA FUTURES got off to an encouraging start on the Kuala Lumpur Commodities Exchange yesterday.

Turnover for the day amounted to 388 lots of 10 tonnes each, and prices for the nearby month of September ranged between US$1,270 and $1,330 a tonne before closing at $1,315.

The new contract, the first for cocoa in the Asian/Pacific time zone, will complement the current cocoa markets in London and New York.

It is the fifth futures market to be introduced on the 8-year-old KLCE, and Dr Lim Keng Yaik, the Malaysian Minister of Primary Industry, who officially launched it, said it was part of the Government's plan to develop Kuala Lumpur into a major commodity market.

Mr Syed Jabbar Shahabudin, the KLCE chief executive, said he was happy at the brisk trading, as well as the prices, which he said were better than he had expected.

Commenting on overseas traders' fears that there might not be sufficient volume to ensure market liquidity, he said the Southeast Asian region had emerged as a leading cocoa producer, and Far East countries were becoming important markets for the commodity.

It is estimated that 15 per cent of the present turnover in the London cocoa terminal market originates from the Southeast Asian/Far East region.

Syed Jabbar also pointed out that cocoa trading on the KLCE market continued until 7 pm Malaysian time, allowing for arbitrage with the London market, which opens at 6 pm Malaysian time.

The KLCE, which held its annual general meeting over the weekend, said volume in crude palm oil futures, its most active contract, was breaking new records. For the first time this year the average daily turnover had reached 997 lots (25 tonnes each), a 120 per cent rise over the same period last year.

The exchange said it hoped to break even this year.

Crop damage to raise Indonesian sugar needs

By John Murray Brown in Jakarta

INDONESIA WILL have to import 400,000 tonnes of sugar next year at an estimated cost of $160m because of crop damage resulting from last year's protracted dry season, Mr Wardoyo, the Agriculture Minister said.

The minister's projection, sharply up on earlier figures, reflected the steep drop in sugar cane plantings on Java, where about 70 per cent of Indonesian sugar is grown.

Bulog, the Government's food logistics agency, which sets the floor and ceiling price for major staples like sugar, announced earlier that import needs in 1989 would be 140,000 tonnes, with a further 90,000 tonnes in 1990.

Sugar production is still officially projected to reach 2.1m tonnes in 1988, compared with 2.07m tonnes last year, although the US Embassy in Jakarta estimates that 1988 output will only reach about 1.9m tonnes.

The Government has already imported around 126,000 tonnes in the first half of this year and is expected to be in the market again in the second half.

Mr Wardoyo said last week that plantings on Java are expected to fall by 50 per cent from the present 140,000 hectares to around 70,000 hectares by 1994. Many smallholders are switching to other crops like cocoa which is more profitable and provides a quicker return on investment. Some farmers have urged Bulog to raise the official prices to encourage more planting. Meanwhile sugar development in the outer islands remains slow as the soils are less fertile.

Bangladeshi jute mills call for incentives

BANGLADESH'S JUTE industry, which has suffered an accumulated $255m in losses over the last five years, has called on the Government to offer incentives to prevent its collapse, Mr Naimur Rahman, chairman of Bangladesh Jute Mills Association said, reports Reuter from Dhaka.

The industry has suffered from lower demand in the world market and the growing challenge of synthetics.

Four jute mills in the private sector have already closed while many others are on the verge of collapse because of heavy losses, Mr Rahman said. State mills lost $165m and private mills $90m in the last five years.

"Unless some export incentives are granted to the industry it will not be able to remain in operation."

Pakistani farm reforms praised by World Bank

By Christina Lamb in Islamabad

THE WORLD bank has praised the agricultural reforms announced by Pakistan's caretaker Government last week, and agreed to support the measures with a loan of $200m.

According to the World Bank in Islamabad, the reforms will make Pakistan's agriculture more competitive and productive, and generate budgetary savings of $50m a year.

The Government will phase out economic subsidies for chemical fertilisers and private and pnblic tubewells to improve management of water resources and move towards recovering the full cost of operating and maintaining irrigation facilities.

Technical support will be given to institutions involved in pricing rice and cotton exports.

The World Bank loan, which is for 20 years, will be paid in two instalments – $100m this year and a similar amount next October – providing the agreed policy measures have been carried out by then.

LME WAREHOUSE STOCKS (Change during week ended last Friday) tonnes

Aluminium standard	−2,700	to 56,675
Aluminium high grade	+5,375	to 57,150
Copper Grade A	+700	to 119,775
Lead	−975	to 65,275
Nickel	−294	to 2,892
Zinc	−725	to 36,500
Tin	−135	to 14,395
Silver (oz).	+32,000	to 14,958,000

Australian wheat forecast reduced

AUSTRALIAN WHEAT Forecasters (AWF) has lowered its forecast of the country's 1988-89 wheat crop to 15.12m tonnes from the 15.63m projected a month ago, reports Reuter from Malbourne. But, in its fifth report for the season, the private forecaster leaves its area estimate unchanged at 9.80m hectares.

AWF attributes the decline to the probable impact of wet weather on yields in Western Australia, predicted to be the state with the biggest wheat output this season.

The forecast compares with the 1987-88 crop of 12.44m tonnes from an area of 9.07m hectares and an Australian Wheat Board forecast of 14.4m tonnes issued on July 20.

AWF has lowered its estimate for the Western Australian crop by 500,000 tonnes to 5.2m tonnes.

WORLD COMMODITIES PRICES

LONDON MARKETS

ZINC AGAIN provided the main feature on the London Metal Exchange yesterday, but in contrast to last week's strength – based largely on Peruvian supply tears – the market wes sharply lower. The cash position surrendered £12 ot last week's £45 rise in closing at £756 a tonne. The three months position was down £8 at £745.50 a tonne. In the absence ot tresh tundamental news dealers ettributad the tall mainly to prolit-taking, based on a tealing thet last week's edvsnce hed been overdone. Other LME base metals tinished modestly lower, with the exception ot cash nickel, which gained $250 to $14,500 a tonne. The with the three months nickel price falling by $25 the cash premium widened by $275 to $1,050 a tonne, reflecting continued concern about supplies available tor immediate delivery.

SPOT MARKETS

Crude oil (per barrel FOB September)		+ or -
Dubai	$13.60-3.70y	+0.60
Brent Blend	$15.45-5.55	+0.65
W.T.I. (1 pm est)	$15.77-5.82y	+0.57
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$174-176	
Gas Oil	$131-133	+3
Heavy Fuel Oil	$66-68	+1
Naphtha	$136-138	+1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$432.50	
Silver (per troy oz)♣	681c	-9
Platinum (per troy oz)	$528.50	-5.50
Palladium (per troy oz)	$123.25	-0.75
Aluminium (free market)	$2685	
Copper (US Producer)	96⅝-101c	
Lead (US Producer)	36c	
Nickel (free market)	650c	+10
Tin (European free market)	£4367.5	-5.0
Tin (Kuala Lumpur market)	19.24r	+0.03
Tin (New York)	342.50c	+0.25
Zinc (Euro. Prod. Price)	$1200	
Zinc (US Prime Western)	65⅝c	
Cattle (live weight)†	117.94p	+0.95*
Sheep (dead weight)†	197.95p	-12.9*
Pigs (live weight)†	70.85p	+0.62*
London daily sugar (raw)	$309.8x	-5.2
London daily sugar (white)	$290.0x	-2.5
Tate and Lyle export price	£294.5	-1.5
Barley (English feed)	£105y	
Maize (US No. 3 yellow)	£144	
Wheat (US Dark Northern)	unq	
Rubber (spot)♥	72.25p	-0.25
Rubber (Sep)♥	76.25p	-0.25
Rubber (Oct)♥	78.50p	-0.25
Rubber (KL RSS No 1 Sep)	344.0m	+0.5
Coconut oil (Philippines)§	$615x	+5
Palm Oil (Malaysian)§	$480	+5
Copra (Philippines)§	$430	
Soyabeans (US)	$208	+4
Cotton "A" index	59.30c	-0.15
Wooltops (64s Super)	650p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Sep. q-Oct. w-Jul/Aug. x-Aug/Sep. a-Sep/Oct. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low	
Sep	984	979	1003	975
Dec	956	952	965	950
Mar	948	949	958	943
May	956	958	967	955
Jul	975	968	980	971
Sep	991	982	997	985
Dec	1028	1020	1033	1024

Turnover: 5447 (8765) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Aug 5: 1107.63 (1196.36) :10 day average for Aug 8: 1195.19 (1198.27) .

COFFEE £/tonne

	Close	Previous	High/Low	
Sep	985	982	976	945
Nov	989	960	988	953
Jan	996	935	966	955
Mar	1000	1002	995	987
May	1005	1020	1001	990
Jly	1010	1040	1015	1000
Sep	1030	1030	1010	

Turnover: 2298 (2941) lots of 5 tonnes
ICCO indicator prices (US cents per pound) for Aug 5 :Comp. daily 103.88 (104.46) . 15 day average 109.86 (110.52).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low	
Oct	260.20	268.40	268.20	253.00
Dec	257.20	266.00	260.00	250.00
Mar	248.40	250.60	253.00	244.00
May	242.00	244.00	246.00	241.50
Aug	238.00	240.00	239.00	
Oct	236.00	238.00		

White	Close	Previous	High/Low	
Oct	282.00	282.00	283.00	270.00
Dec	270.00	278.50	280.00	
Mar	280.00	279.50	281.00	268.00
May	280.00	279.00	280.50	279.00
Aug	280.00	280.00	281.00	275.00
Oct	280.00	280.00		

Turnover: Raw 3292 (3126) lots of 50 tonnes. White 729 (831) .
Paris- White (FFr per tonne): Oct 1765, Dec 1750, Mar 1755, May 1770, Aug 1770 Oct 1780

GAS OIL $/tonne

	Close	Previous	High/Low	
Aug	133.00	129.25	133.00	130.75
Sep	134.25	130.25	134.25	131.75
Oct	135.75	131.75	135.75	134.00
Nov	137.25	133.60	137.00	135.50
Dec	138.50	134.25	138.50	137.00
Jan	137.50	133.50	137.68	136.50

Turnover 4784 (4151) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
Sep	104.85	104.85	105.10	104.85
Nov	107.40	107.30	107.70	107.40
Jan	110.20	110.25	110.70	110.20
Mar	112.90	112.85	112.00	
May	115.40	115.60	115.00	115.40

Barley	Close	Previous	High/Low	
Sep	101.20	101.40	101.25	101.10
Nov	104.15	104.30	104.30	104.05
Jan	107.20	107.30	107.30	107.15
Mar	109.55	109.50	109.55	109.00
May	111.35	111.30	111.35	

Turnover Wheat 115 (70) . Barley 79 (131) .
Turnover lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 400 tonne
Cash	2675-85	2685-95	2680	2680-2		
3 months	2655-65	2600-20	2650	2640-50	2640-60	7,266 lots
Aluminium,99.5% purity (£ per tonne)						Ring turnover 7,925 tonne
Cash	1537-40	1550-5	1545	1540-5		
3 months	1457-60	1461-2	1472/1460	1460-5	1464-5	48,061 lots
Copper, Grade A (£ per tonne)						Ring turnover 31,550 tonne
Cash	1247-9	1257-9	1270/1268	1268-7		
3 months	1249-50	1254-5	1274/1248	1264-5	1252-4	65,134 lots
Copper, Standard (£ per tonne)						Ring turnover 50 tonne
Cash	1210-5	1215-20	1255	1225-30		
3 months	1210-5	1215-20		1225-30		35 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	676-9	683-6		676-9		
3 months	690-3	697-700		690-3	695-700	506 lots
Lead (£ per tonne)						Ring turnover 3,850 tonne
Cash	343-5	344-5	343	343.5-4		
3 months	348-50	348-9	350/347.5	348.5-9	348-50	11,838 lots
Nickel ($ per tonne)						Ring turnover 540 tonne
Cash	14450-550	14200-300	14400	14400-50		
3 months	13400-500	13450-500	13500/13400	13450-500	13400-500	5,433 lots
Zinc (£ per tonne)						Ring turnover 5,325 tonne
Cash	755-7	767-9	757	756.5-7		
3 months	745-6	753-4	755/744	747-8	752-4	22,806 lots

POTATOES £/tonne

	Close	Previous	High/Low	
Nov	71.5	71.5	72.0	70.5
Feb	87.0	85.0		
Apr	103.5	101.0	104.0	102.0
May	114.5	113.0	113.0	112.0

Turnover 252 (222) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low	
Oct	170.00	174.00	176.00	170.00
Dec	176.00	179.50	182.00	180.50
Feb	180.00	183.00	166.00	
Apr	180.00	183.00		
Jun	179.00	174.50		

Turnover (434) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low	
Aug	1253	1260	1253	1245
Sep	1348	1347	1348	1335
Oct	1440	1445	1442	1429
Jan	1463	1475	1463	1460
Apr	1505	1510	1505	
BFI	1192	1192		

Turnover 75 (456)

TEA

There were 18,608 packages on offer including 800 packages offshore, reports the Tea Brokers Association. Demand was more widespread but still selective. A few of the brightest teas again received strong support at fully firm rates but medium East Africans continued very irregular with plainer sorts often easier. Lower priced teas and most Central Africans met good compeirtion and were generally dearer. Ceylons came to an easier market except colaury uvas which were firm to dearer. The limited quantity available in the offshore auction was readily absorbed at firm rates. Quotations: quality 150p (149p), medium 88p (84p), low medium 74p (70p).

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	432¼-432¾	254½-255
Opening	431¾-432¼	255-256½
Morning fix	431.85	255.306
Afternoon fix	432	253.744
Day's high	430½-430½	
Day's low	431¼-431¾	

Coins	$ price	£ equivalent
Mapleleaf	445-450	262-265
Britannia	445-450	262-265
US Eagle	445-450	262-265
Angel	444-440	261¾-264⅝
Krugerrand	431-434	254-256
New Sov.	102-103	60-60¾
Old Sov.	102-103½	60-61
Noble Plat	545.15-51.45	286.75-290.1

Silver fix	p/fine oz	US cts equiv
Spot	400.80	679.75
3 months	411.45	693.65
6 months	423.00	709.30
12 months	444.75	739.70

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sept	Nov	Sept	Nov
2450		284		96
2600		200		159
2750		138		242
Aluminium (99.5%)	Calls		Puts	
2500	177		65	
2650	87		135	
2800	48		234	
Copper (Grade A)	Calls		Puts	
2050	118	145	40	98
2150	64	102	86	151
2250	30	57	151	215

US MARKETS

Tha graine and soybean complex was sharply lower as forecastsIndicated the possibility ol rain, leading to trade long-liquidation, reports Drexel Burnham Lambert. Wheat was also weaker in response to easier premiums, while both thebean oil and meat derived some support from buying interest byEastern Europe for South American growths and purchases by Pakistan and Bangladesh. Cattle futures eased despite firmer cash prices as tha market underwent a technical correction to recent strength, hogs and bellies were both mixed in anticipation on larger hog runs and as tha markets tended to consolidete. Energy futures were sharply higher, although in light volume, as commission house short-covering and trade and technical buying rallied prices as the prospect of an Iran/Iraq ceasefire was perceived as leading to possible O.P.E.C. unity. The precious metals eased In lete trading as commission house stops were elected following trade selling at the highs which prompted commission house selling.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Aug	430.4	432.3	433.1	430.1
Sep	432.5	434.2	435.0	435.0
Oct	435.1	437.0	438.2	434.5
Dec	440.8	442.6	443.8	440.0
Feb	446.5	448.4	447.1	446.0
Apr	452.4	454.2	0	0
Jun	458.3	460.1	460.0	460.0
Aug	464.3	466.1	0	0
Oct	470.3	472.1	0	0

PLATINUM 00 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	519.9	539.0	534.5	519.0
Jan	525.7	544.8	539.0	526.0
Apr	532.7	551.8	542.0	542.0
Jul	540.2	559.5	0	0
Oct	547.7	566.8	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Aug	667.5	685.0	0	0
Sep	671.5	689.0	667.8	670.0
Oct	677.0	694.4	0	0
Dec	687.3	704.5	703.0	686.0
Jan	692.6	709.8	0	0
Mar	702.9	720.1	718.0	703.0
May	713.6	730.8	0	0
Jul	724.7	741.9	730.0	722.0
Sep	735.7	752.9	750.0	750.0
Dec	752.7	769.9	767.0	760.0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	91.60	94.00	93.10	93.10
Sep	92.00	94.20	04.00	91.90
Oct	00.65	92.70	0	0
Dec	88.05	89.70	90.00	88.00
Jan	87.20	88.80	0	0
Mar	85.00	87.00	87.50	85.50
May	84.70	86.30	85.70	85.00
Jul	84.25	85.70	84.25	04.00
Sep	83.65	85.10	04.00	83.10
Dec	83.00	84.50	83.00	83.00

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Sep	15.78	15.28	15.84	15.50
Oct	15.94	15.49	16.02	15.73
Nov	16.02	15.61	16.10	15.85
Dec	16.07	15.73	16.17	15.85
Jan	16.21	15.82	16.23	16.05
Feb	16.25	15.88	16.28	16.10
Mar	16.30	15.94	16.30	16.16
Apr	16.23	15.98	0	0
Jun	16.35	16.04	16.30	16.25

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Sep	4425	4304	4430	4360
Oct	4480	4377	4505	4435
Nov	4575	4451	4580	4505
Dec	4650	4541	4660	4590
Jan	4685	4579	4690	4620
Feb	4650	4544	4662	4600
Mar	4505	4394	4505	4455
May	4300	4204	4305	4270
Jun	4240	4154	4240	4240

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	1513	1493	1517	1499
Dec	1504	1495	1520	1495
Mar	1506	1495	1518	1496
May	1513	1514	1523	1511
Jul	1543	1538	1555	1545
Sep	1568	1567	0	0
Dec	1606	1598	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	114.53	115.79	116.50	112.50
Dec	117.31	116.89	118.20	114.25
Mar	117.42	116.00	117.50	113.50
May	117.50	115.39	117.50	114.00
Jul	116.26	115.25	117.00	114.50
Sep	114.00	114.68	116.25	116.00
Dec	114.00	116.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	11.55	11.94	11.77	11.07
Jan	10.53	10.67	11.25	11.25
Mar	11.03	11.02	11.08	10.66
May	10.65	10.65	10.70	10.40
Jul	10.37	10.41	10.55	10.25
Oct	10.15	10.13	10.21	9.99

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	04.45	54.50	54.60	53.90
Dec	53.00	53.27	53.14	52.62
Mar	53.25	53.57	53.40	53.00
May	53.60	04.00	53.60	53.40
Jul	54.10	54.45	04.10	53.95
Oct	55.10	55.75	55.10	54.95
Dec	55.00	55.68	55.35	55.00

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	197.45	196.70	198.00	194.60
Nov	184.55	183.95	104.75	183.15
Jan	176.40	176.25	176.75	175.70
Mar	174.15	174.30	174.40	174.00
May	173.15	173.10	173.50	173.50
Jul	171.15	171.10	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Aug 5	Aug 4	mnth ago	yr ago
1880.0	1872.3	1894.4	1836.6

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	131.67	131.59	138.95	128.10
Futures	135.39	135.19	142.38	128.02

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Aug	840/0	876/4	855/0	837/0
Sep	852/4	882/4	862/0	852/4
Nov	859/0	889/0	872/0	859/0
Jan	859/4	889/4	971/0	859/4
Mar	859/4	889/4	871/0	859/4
May	850/0	880/0	862/0	850/0
Jul	839/0	869/0	853/0	839/0
Aug	010/0	838/0	820/0	809/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	27.56	28.87	27.75	27.30
Sep	27.67	28.39	27.00	27.40
Oct	27.80	28.67	28.05	27.68
Dec	28.27	29.05	28.50	28.10
Jan	28.40	29.20	28.70	28.30
Mar	28.50	29.32	28.80	28.45
May	28.65	29.40	29.00	28.65
Jul	28.00	28.70	28.00	28.00

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Aug	258.7	271.2	268.0	258.5
Sep	258.0	268.0	262.2	256.0
Oct	256.7	266.7	259.5	256.7
Dec	255.0	265.0	260.0	255.0
Jan	252.0	262.0	257.0	252.0
Mar	249.0	259.0	253.0	249.0
May	248.0	258.0	251.0	248.0
Jul	248.0	258.0	251.0	248.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	296/6	306/6	301/0	298/6
Dec	304/4	314/4	308/4	304/4
Mar	308/4	318/4	312/0	308/4
May	308/0	318/0	311/4	308/0
Jul	302/2	312/2	305/4	302/2
Sep	282/4	290/6	286/0	280/6
Dec	266/4	270/0	270/0	263/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	376/2	379/0	378/0	372/0
Dec	386/2	391/6	390/0	384/0
Mar	390/0	398/0	392/4	387/4
May	371/0	373/2	371/4	367/0
Jul	350/0	353/0	351/4	350/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	68.47	68.37	68.87	68.37
Oct	70.05	70.30	70.57	69.70
Dec	71.00	72.22	72.40	71.45
Feb	72.40	72.82	72.97	72.10
Apr	73.82	74.15	74.10	73.25
Jun	73.22	73.80	73.70	73.10
Aug	71.05	71.37	71.40	71.05
Sep	71.00	71.00	0	0

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Aug	45.82	45.87	45.87	45.40
Oct	39.72	39.97	40.47	39.68
Dec	42.42	42.90	43.10	42.35
Feb	44.68	45.62	45.70	44.65
Apr	43.85	44.77	44.90	43.85
Jul	49.10	49.90	49.40	48.80
Aug	49.00	49.45	0	49.00

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	32.95	32.42	34.10	32.40
Feb	51.25	52.12	53.25	50.75
Mar	51.10	51.55	53.10	50.85
May	52.55	53.20	54.25	52.47
Jul	53.10	52.40	53.65	52.70
Aug	51.12	51.67	52.00	51.12

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

GERMANY (continued)

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NETHERLANDS (continued)

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWEDEN (continued)

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

CANADA

TORONTO

2pm prices August 8

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

SINGAPORE

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

OVER-THE-COUNTER

Nasdaq national market, 2pm prices August 8

Continued from page 33

[illegible]

Stock	Div.	Sales 100s	High	Low	Last	Chng
Roylpr		22	58	3 3-16	3⅛	3 3-16 + 1-16
RyanF		18	1941	5⅝	5¼	5⅜ − ⅛
− S − S −						
SCI Sys		15	268	12⅞	12⅞	12⅞
SEI	.05e	19	56	19	18¾	19 + ¼
SFFed		5	68	13½	13	13 − ¼
SHL Sy e			239	8	7¾	7⅞ − ⅛
SKF AB	1.73e		10	50	50	50 − ⅞
Safecrd		7	1320	6⅛	6	6⅛ + ⅛
Safeco	1.08	7	222	23¼	24⅞	25
SagHbr			3	15	14½	14½
Sahlen		11	90	2⅛	2 1-16	2 1-16
StrucDy		22	82	17	17	17 + ½
Stryker		26	407	24⅜	23	24 + ⅝
Subaru			218	6⅞	6¼	6⅞
SuffFin	.10j		1	6	6	6
Sumgph		9	187	12¼	11⅞	11⅞ − ½
Sumcrp	.56	9	119	20¼	19⅝	19⅞ + ¼
SumtB	.72b	10	22	22½	22¼	22¼ − ⅜
SunGrd		21	20	18¾	10¾	10¾ − ½
SunMic		22	2728	39	38¼	38¾ + ⅞
Sunwst	e1.12	0	6	26½	25	26 − ½
Symbio		275	52	8⅛	5¾	6¼ − ¼
JtdSvrs	.72	5	201	10¼	10	18 − ¼
US Bcp	1	10	72	24½	24¾	24⅞ + ⅜
US HltC	.18		1021	5⅛	4¾	4⅞ − ¼
US Trst	1.10	12	76	37¾	37⅝	37⅝
UStatn	.32	18	94	21¾	21	21¾
UnTelev		40	48	30¾	30½	30½ − ¼
UnivFr	.18	13	41	17	16¾	17 + ⅜
UnvHlt		223	315	6¾	6½	6 11-16 + 1-16
UnvSvg	.40	14	370	23¾	23⅛	23¾
− V − V −						
V Band	1e	3	310	11	10½	11
VLSI		35	651	0⅛	0	0½ + ½
VM Sft		20	448	17¾	17¾	17¾ + ½
VWR	.80	12	87	18¾	18¼	18¼ − ¼
WolvEx			383	12⅛	12	12⅜ + ⅜
Worthg	.44	18	331	24⅝	24¼	24¼ − ⅜
Wyman	.80	15	20	15½	15	15½ + ½
− X − Y − Z −						
XL Dt e		15	389	24⅞	24½	24⅞
XOMA			375	15	14½	16 + ¼
X-Rite	.08	15	107	23	22¼	22¾ + ½
Xicor		17	373	9¾	9⅝	9⅞ + ⅛
Xidex			1092	8¼	6⅞	6
Xylogic		6	41	7	6¾	6¾ − ¼
Xyvsn		4	42	7	6¾	6¾
YlowF e	.70	17	640	29½	29¼	29¼ − ⅛
ZionUt	1.44		9	24	20¼	24 + ⅜
Zondvn		29	130	13½	13⅜	13⅜ − ⅜

TOKYO - Most Active Stocks

Monday 8 August 1988

	Stocks Traded	Closing Prices	Change on day
Kawasaki Steel	150.02m	759	+30
Nippon Steel	53.61m	772	+2
Ishikawajima-Harima Heavy Ind	43.97m	1,200	+30
NKK	40.05m	689	+16
Tokyo Gas	26.50m	1,300	+20
Mitsubishi Mining & Cement	20.55m	768	+61
Fujikura	16.87m	1,450	uch
Showa Denko	14.58m	940	+30
Mitsubishi Oil	13.49m	999	-21
Mitsubishi Steel	13.13m	3,300	-60

INDICES

NEW YORK

DOW JONES

[illegible]

STANDARD AND POOR'S

[illegible]

TRADING ACTIVITY

[illegible]

CANADA

TORONTO

[illegible]

NEW YORK ACTIVE STOCKS

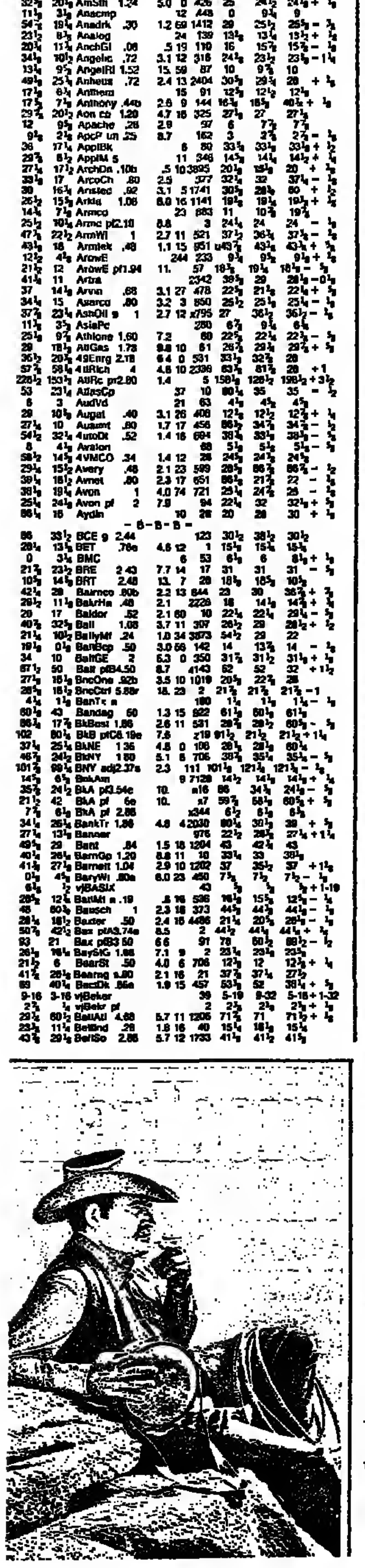
[illegible]

[illegible]

3pm prices August 8

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
21⅞	14	AAR s	.36	1.4	10	673	25½	22	25⅛	– ⅛
12¼	6¼	ACMIn	n1.30e	11.		245	11⅛	11⅛	11⅛	– ⅛
12¼	10⅛	ACMSc	n1.26	11.		575	11¼	11⅛	11⅛	
10⅛	9	ACMSp	n.11e	1.8		63	9⅛	9⅛	9½	+ ⅛
22⅝	19⅛	AGS			19	163	27	26⅞	26⅞	– ⅛
9⅛	3¼	AM Int				1612	6	5⅞	2⅞	– ⅛
26¼	11	AM Int pf	2	8.8		23	22⅞	22⅞	22⅞	– ⅛
65½	28¼	AMR			9	2286	45¼	42⅞	45⅝	– ¼
11⅛	5¼	ARX			11	34	6⅝	8¼	8¼	– ⅝
78½	39⅛	ASA	2	7.5		713	40½	40⅛	40⅛	– ¼
22⅛	9½	AVX	.05e	.3	12	326	15¼	10	19¼	+ ⅛
60½	40	AbtLab	1.20	2.9	16	2188	48¾	40⅛	40⅛	– ¼
27½	15⅛	Abitibi g	1			303	17⅞	17½	17½	+ ⅛
16½	8½	AcmeC	.40	3.9		66	10⅞	10⅛	10⅛	– ⅛
19⅝	8⅛	AcmeE	.32b	4.5	60	35	7¼	7	7	– ⅛
29	14⅞	AdaEx	3.05e	10.		10	10	12⅞	18	
19¼	8⅞	AdamMl	.24	1.5	16	1	18⅛	18⅛	18⅛	
24⅞	7½	AMD				2110	18⅛	12⅞	13	+ ⅛
56¾	29¼	AMD pf	2	7.9		1	60	38	38	
11¼	4⅛	Adobe				57	7¼	7⅛	7⅛	
20⅛	16¼	Adob pf	1.84	10.		3	17¼	17¼	17¼	
21⅛	17½	Adob pf	2.40	11.		2	21¼	21	21¼	
12⅞	5⅞	Advest	.12	1.3	17	174	9½	9¼	9¼	– ⅛
34¼	39½	AetnLf	2.76	5.8	7	1219	48	47½	47½	
40⅛	40⅛	AffPb s	.20	.1	45	1277	27½	26⅛	26¼	– ⅞
23⅛	12	Ahmans	.60	5.5	16	1104	16⅛	10	16	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]



Continued on Page 33

NYSE COMPOSITE PRICES

Continued from previous Page

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12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
36	19¾	XTRA	.72	2.2	14	385	33	32⅞	32⅞	- ⅞
29¾	19½	XTRA pf1.94		6.9		8	28½	28¼	28¼	-1
60¾	17½	Yorkin			15	100	53⅞	53⅞	53⅞	- ⅛
8⅝	2⅛	Zapata				348	2⅞	2¾	2⅞	+ ⅛
37	13½	Zayre	.40	1.8	13	2846	22⅛	21¾	21¾	- ⅜
16¼	8¾	Zemex	.40	3.3	16	47	12½	11⅞	12¼	+ ⅜
23⅞	13	ZenithE				1134	22⅝	22⅛	22¼	+ ⅛
10⅝	8½	Zenin n .15e		1.5		94	9⅞	8⅞	9⅞	
9⅞	1	vjZenLb				247	1⅞	1⅞	1⅞	+ ⅛
21⅞	12⅞	ZenNtl	.20b	4.0	9	54	30¼	30	20	- ⅛
20⅜	11⅞	Zero	.40	2.4	15	x18	19⅞	19⅝	16⅞	+ ⅛
29¾	18	Zurnin	.66	3.0	14	91	22⅝	22⅛	22½	+ ⅛
11⅛	7⅞	Zweig	1.05e	9.9		328	10⅝	10½	10⅝	+ ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices August 8

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OVER-THE-COUNTER

Nasdaq national market, 3pm prices August 8

[illegible]

Continued on Page 31

FINANCIAL TIMES Tuesday August 9 1988

AMERICA

Dow makes small gain as market torpor continues

Wall Street

EQUITIES showed every sign yesterday that the torpor which set in last week is continuing, *writes Janet Bush in New York.*

At 2pm, the Dow Jones Industrial Average stood 6.40 higher at 2,125.53. Volume remained low with only 68m shares trading by midsession. Last Friday's volume total of 113.9m shares was the second lowest this year in spite of the dramatic unemployment and employment figures released that day.

US Treasury bonds also traded quietly ahead of today's auction of $11bn of three-year notes and tomorrow's $11bn sale of 10-year bonds.

The three-year issue is expected to attract mainly domestic demand, while the market is relying on substantial Japanese demand. There is some confidence that Japanese institutions will be active this week, partly because of the strength of the dollar and partly because of the clear attractiveness of US yields.

A slight dampener on the bond market was a sharp increase in oil prices, partly on reports that a date for the ceasefire between Iran and Iraq would be announced yesterday and partly because of further talk about limiting production within the Organisation of Petroleum Exporting Countries.

At midsession, bond prices were mixed. Prices came under pressure at the short end of the yield curve and were quoted up to ⅛ point lower. The long end, which does not face the burden of a long bond auction this week, moved modestly higher with the Treasury's benchmark 30-year issue up ¼ point to yield 9.11 per cent.

One of the largest movers on the equity market was Interco, the leading furniture manufacturer, which jumped $3½ to $71¾ at midsession. The company has received an increased takeover offer from City Capital Associates worth $70 a share, compared with $64 a share offered previously. Interco's board said it would consider the latest offer and also restructuring at a meeting scheduled for yesterday.

Artra Group, in the plastics, metals, machinery and energy business, plunged $10¾ to $28¼. The stock came under pressure after news that Artra is involved in acquisition discussions with Envirodyne Industries. Envirodyne dropped $4⅞ to $30⅞ in over-the-counter trading after it said it would not explore alternatives to an offer from Artra.

Hershey Foods gained $⅞ to $24¾ after the company announced it was selling its Friendly Ice Cream subsidiary to Tennessee Restaurant, a company based in Chicago, for $375m.

General Electric edged $⅛ higher to $41⅞. Siemens, the West German electrical company, said it had held exploratory talks with General Electric about possible joint ventures. General Electric did not confirm or deny this.

Organogenesis, one of the most actively traded issues on the American Stock Exchange yesterday, fell $2⅞ to $15⅝, apparently on a negative report about the company in Barron's magazine. The company is developing a process to facilitate skin transplantation.

Sherwin-Williams, largest US manufacturer of paint and varnish, rose $⅝ to $30 on takeover speculation. However, the company denied that it was in talks to be acquired or was interested in being taken over.

Among blue chips, International Business Machines added $1½ to $124, American Telephone & Telegraph was also up $⅛ at $26⅞, Merck was $¼ higher at $57 and Procter & Gamble was unchanged at $75¼.

Oil stocks were generally firmer, reflecting a jump in crude prices. September crude futures were quoted 37 cents a barrel higher than Friday's close at $15.63 a barrel.

Exxon added $⅛ to $47⅝, Chevron edged $¼ to $47¼ and Atlantic Richfield climbed $¾ to $82⅝.

Canada

WEAKER gold issues outweighed advances by base metal stocks and blue chips to leave shares slightly lower at midday.

The composite index fell 2.50 to 3,343.00 as declines outran advances by 280 to 242 on volume of 22.1m shares.

However, 11.5m of these shares were of Falconbridge, on the last day investors could participate in its special cash dividend of C$4.75 a share announced Friday. Falconbridge was down C$⅛ to C$26⅛.

Polysar Energy led the most actives list, gaining C$⅛ to C$20⅛, while Dylex rose C$⅛ to C$10⅞ and blue chip Canadian Pacific gained C$⅛ to C$22⅞.

Golds were down across the board as American Barrick slipped C$⅛ to C$22⅝, Giant Yellowknife fell C$⅛ to C$15 and Echo Bay Mines, which earlier reported that second-quarter earnings were flat, slipped C$⅛ to C$23.

Seagram strengthened C$½ to C$67¼ and International Thomson climbed C$⅛ to C$13⅞. Other blue chips included BCE, down C$⅛ to C$36⅞.

Among metal stocks, Inco climbed C$⅝ to C$36⅝, Alcan rose C$⅝ to C$36⅛ and Denison Mines was up C$⅛ to C$5⅝.

Banking stocks were mostly lower, with Royal Bank down C$⅛ at C$33⅛, Bank of Nova Scotia off C$⅛ at C$14⅛ and National Bank down C$⅛ at C$10⅞. Toronto Dominion went against the trend, rising C$⅛ to C$33⅛.

EUROPE

Financial results underpin holiday trading

GOOD corporate results helped underpin several European bourses yesterday. But volumes were generally low, especially in Frankfurt, where the focus was on interest rates, and in Paris, where the summer holiday again hit trading, *writes Our Markets Staff.*

FRANKFURT ran out of steam in official trading after Friday's strength had continued into active pre-bourse dealings. The persistent firmness of the dollar helped exporting stocks, but a widespread belief that interest rates are set for another rise kept trading hesitant and lifted prices off their highs.

The FAZ index was up 3.47 at 495.25 at midsession, with resistance still being reported around the psychological 500 level. The real time DAX ended 1.38 higher at 1,198.76 after showing a 6.15 gain in early trading. Volume faded back to DM2.4bn after reaching DM2.9bn on Friday.

Another rise in the securities repurchase rate, possibly as early as today, was likely, said one analyst, in order for West Germany just to keep up with rising interest rates in the US, which were reinforcing the dollar's strength.

Electronics stock Siemens was the most active, rising DM3 to DM444 as shares worth DM289m changed hands. Rumours were reported from Munich, where the company is based, that it might be planning an acquisition.

Chemicals were generally firm, with BASF the second most active stock, rising DM1.50 to DM265.50 as shares worth DM268m were traded, and Bayer adding 70 pfg to DM300.70 on turnover of DM266m. Both companies are *due to report this week or next* and the buoyant interim results from Hoechst last week have increased investors' appetites for the sector.

Trading in bonds was quiet but undermined by the dollar's rise. The yield on the 6¾ per cent 1998 federal bond rose to 6.74 per cent from 6.72 per cent.

PARIS began the second week of the August holiday month on an especially quiet note, with share prices reacting little to corporate results and volumes falling to even lower levels than last week.

The CAC opening index eased 0.7 to 358.3 and the OMF 50 index lost 0.47 to 355.48. Turnover was estimated to be worth around FFr800m.

"The market seems to have chosen to ignore entirely the good corporate results, with most blue chips drifting," said one French analyst. "It's the quietest day I've ever seen," said another.

Retailing group Au Printemps, announcing 47 per cent higher interim sales, fell FFr7 to FFr501, while car parts maker Valeo, with first-half turnover up 22 per cent, edged up FFr2 to FFr502. Galeries Lafayette, also with improved figures, fell FFr5 to FFr930.

ZURICH was again one of the more active European bourses as speculative activity in the insurance sector continued to maintain interest in the market, in spite of the inevitable profit-taking.

The Crédit Suisse index added 0.5 to 481.0, with the food sector seeing renewed demand. Jacobs Suchard bearers rose SFr75 to SFr7,800 and Nestlé bearers gained SFr45 to SFr8,490. One Swiss specialist said the seller who was dampening the sector last week appeared to have disappeared.

Insurers weakened on profit-taking after strong gains over the past few weeks fuelled by takeover activity, both real and rumoured. La Suisse, which heard that the Saurer group had withdrawn its bid leaving the way clear for rival bidder Rentenanstalt, saw its registered stock lose SFr75 to SFr12,425 and La Genevoise fell SFr1,350 to SFr15,300.

AMSTERDAM saw profit-taking in thin volumes, but closed marginally higher, underpinned by expectations of good results from companies reporting this week.

The CBS all share index edged up 0.1 to a new high for the year of 100.4.

Royal Dutch, reporting interim results on Thursday, led the way higher, adding Fl 2.30 to Fl 246.20. Amro, the bank, found 20 cents to Fl 80.50 pending its results tomorrow. Paper group VRG, which announced a 76 per cent rise in interim profits and a Fl 75m convertible bond to help *finance its purchase of paper* wholesaler Proost en Brandt, rose Fl 5.60 to Fl 140.

BRUSSELS closed firmer in moderately active trading, with the forward market rising 41 to 5,068.89.

Steel company Cockerill rose BFr26 to BFr301 with 166,000 shares traded, but Luxembourg producer Arbed lost BFr65 to BFr2,740 on fears that the share might be overbought and in need of a technical correction.

MILAN had a thin day, with most shares easing in profit-taking in the last full week of the monthly trading account, which ends on August 16. The Comit index finished 3.08 lower at 528.93 and volume was estimated to be slightly lower than Friday's provisional L107bn.

Montedison edged up L17 in official trading to close at L1,966 but then reversed its gains after hours. Fiat eased L15 to close at L9,650 and then fell to L9,595 later.

STOCKHOLM finished lower across the board, with blue chips the hardest hit amid profit-taking and concern about a possible rise in interest rates.

Investment group AB Beijer rose SKr3 to SKr143 after news that chairman Mr Anders Wall had bought a 21.8 per cent stake in his company from forestry group Munksjo for SKr330m.

MADRID was pulled higher by continued demand for utilities and construction stocks, with the general index rising through the 300 level to reach 300.95, a gain of 1.12.

Endesa was popular again, rising 4.5 percentage points

London

EARLY gains were hit by the signal of higher interest rates from the UK monetary authorities and prices ended little changed, underpinned at the end of the day when GrandMet announced approaches for its Intercontinental Hotels division. The FT-SE edged up 0.1 to 1,876.0.

The market profile series resumes on Thursday with a look at Athens.

SOUTH AFRICA

GOLD shares were mostly unchanged in lacklustre trading which set the pattern for the rest of the market.

Bullion drifted just above $430 as a weak financial rand helped support the market. Elandsrand fell 50 cents to R16.25 and Harties dropped 30 cents to R19.10, while Freegold gained 25 cents to R29.50.

In diamonds, De Beers rose 25 cents to R38.75. Platinums were firm, although Rustplat lost R1.50, trading ex-dividend, to close at R35.25.

A wage strike by black metalworkers has spread to *160 factories in the industrial area around Johannesburg.*

Taiwan soars regardless of luck

Bob King takes the mystery out of superstition about numbers

To the casual observer it might seem that the traditional oriental obsession with lucky and unlucky numbers helped drive the Taiwan weighted index nearly through the 7,000 mark yesterday.

But officials at the exchange said the index's rise of almost 113 points to a record 6,998.64 represented yet another example of public demand for a limited number of shares – and had little to do with the "auspicious" date of the eighth day of the eighth month, 1988.

Linguistics probably plays a large part in that: in neither Mandarin Chinese, the official language of Taiwan, nor in Taiwanese, the dialect widely spoken here, *is the* word for "eight" considered especially lucky – unlike the Cantonese dialect spoken in Hong Kong, where "bat" or "eight" sounds uncommonly like "fat," a characteristic normally associated with fortune.

In Taiwanese in fact, depending on the linguistic environment, the word for "eight" – bei – might mean either buy or sell.

A scan of stock exchange records over the past four years revealed no unusual fluctuations on "double eight" – nor for that matter on "double six" (June 6), which might portend fortune in Mandarin, or on "double four" (April 4), which in the Taiwanese dialect has a very unfortunate connection with death.

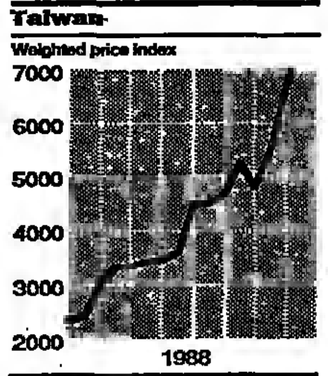
Word games aside, however, it is clear that the Taiwan market is seriously overheated – *with shares rising and falling* for no good economic or technical reasons.

In just the past week, the index has risen by almost 650 points – or almost 10 per cent by yesterday's close. Over the past six weeks it has risen roughly 2,200 points.

This is in spite of profit-taking by institutions during the *middle of last week and the* announcement late in the week of the passage of the new US trade bill – which may bode ill for Taiwan's trade-oriented economy.

The action by the US Government, which will in theory make it easier for Washington to retaliate against nations which employ what the US feels are unfair trading practices, may have been offset somewhat by the decision of Taiwan's Foreign Trade Board to expand the *list of items* which may be imported indirectly from China. These are mostly lower-cost raw materials which should help make many of Taiwan's export products more competitive.

Whatever the cause, *if any economic fundamentals hold* true in this situation, the index could be due for a drastic – and for many investors painful – correction.



ASIA PACIFIC

Nikkei slips as summer advances

ACTIVITY was lacklustre again in Tokyo yesterday and shares moved lower as the summer holiday season approached its peak, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average closed at 28,253.12, down 109.06 points from Saturday, after reaching a high of 28,393.89. The day's low was 28,217.73.

Volume was very thin at 680m shares, compared with last Friday's 869m. Declines outnumbered advances by 454 to 367 with 189 issues unchanged.

In London, Japanese stocks fell further, with the ISE/Nikkei 50 index losing 9.74 from its Tokyo close to 1,857.42.

In Tokyo, Kawasaki Steel was the most actively traded issue at 150.02m shares, rising Y30 to Y759. Nippon Steel, second busiest with 53.5m shares, put on Y2 to Y772, while Ishikawajima-Harima Heavy Industries found Y30 to Y1,200.

Many fund managers and brokers are taking their vacations this week and next, with trade balance figures due to be released on August 16 and parliament scheduled to debate the controversial tax reform proposal, which includes the introduction of a capital gains tax, after August 20. The Recruit stock trading scandal, which has become a key issue in the present budget committee's debates, is also causing traders to keep a low profile.

News that Iraq is willing to ease its conditions for accepting a Gulf War ceasefire led to active buying of companies such as Chiyoda Chemical Engineering and Toyo Engineering, which could increase their exports of plant facilities. Chiyoda Chemical rose Y30 to Y890 and Toyo Engineering gained Y50 to Y891.

However traders said the focus on plant construction stocks stemmed mainly from a lack of other incentives.

Chiyoda Chemical and Toyo Engineering were actively bought when Iran announced its acceptance of the UN ceasefire resolution last month. At that time Chiyoda hit Y949 and Toyo Engineering Y970.

Resort-related stocks, particularly companies with land along Tokyo's waterfront, also gained. Nippon Suisan, which owns land on the bay, added Y49 to Y795. Kawasaki Steel was also sought because of its property holdings in the Chiba area, which is in the spotlight because of its various redevelopment projects. Kawasaki closed up Y30 at Y759.

Topy Industries, whose subsidiary Topy Metal owns land in Chiba, scored a daily limit gain of Y100 to hit Y810 in afternoon trading. The electric furnace steelmaker was considered undervalued in comparison with other stocks related to waterfront development projects.

Toa Nenryo lost in afternoon trading on profit-taking, falling Y19 to close at Y530. Other oil companies failed to sustain last week's rally with Mitsubishi losing Y21 to Y999 after hitting a high for the day of Y1,070.

High-tech issues also failed to attract buying interest. Matsushita fell Y40 to Y2,820 while Sony lost Y90 to Y6,810.

The bond market drifted in a narrow range amid continuing uncertainty over interest rate trends and following a sharp setback over the weekend. The yield on the bellwether 105th government bond closed unchanged at 5.040 per cent on large-lot exchange floor transactions.

Trading on the Osaka Stock Exchange was also dull and the OSE average fell 3.52 to close at 27,426.40. The focus was on steel stocks, which made gains across the board, while railways held steady.

Roundup

PROFIT-TAKERS restricted rises in Australia and Singapore, although both managed to produce records, while Hong Kong moved little in the absence of fresh news.

AUSTRALIA produced another post-crash high amid some profit-taking, with the All Ordinaries rising 2.6 to 1,644.0. Turnover was a modest A$149m worth of shares.

News Corporation's agreed bid for Triangle Publications of the US was well received, with the stock rising 25 cents to A$11, although turnover was low at about 579,000 shares amid some concern over the corporation's high gearing level.

Elders added 4 cents to A$3.49 with 4.16m shares dealt amid rumours of a possible takeover in Europe.

Industrial Equity, steady at A$1.86, launched an A$3.25-a-share bid for Howard Smith, up 8 cents at A$3.70, while BTR put on A$2 to A$9.30 amid expectations of strong interim results due this week.

SINGAPORE also moved to a post-crash peak in moderate trading, helped by the expectation that good economic news would be released on the eve of the country's national holiday today.

The Straits Times industrial index rose 5.82 to 1,177.87, although profit-taking reduced the day's gains.

Speculative and low-priced issues were again in demand and Promet rose 2½ cents to 58 cents with 5m shares dealt.

HONG KONG eased slightly in the absence of market-moving news and the Hang Seng index fell 12.07 to 2,659.10.

Crusader Investments rose 3 cents to 87 cents, with chairman Mr Lee Ming Tee selling a block of more than 40m Crusader shares to Japanese investors for HK$1 a share.

Among blue chips, Swire A rose 10 cents to HK$16.80, Hongkong Bank gained 5 cents to HK$6.30 and Hutchison lost 5 cents to HK$9.20.

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY AUGUST 5 1988					THURSDAY AUGUST 4 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (89)	149.87	+0.6	131.25	124.01	3.60	149.00	129.19	123.24	150.71	91.16	153.85
Austria (16)	85.37	−0.9	74.76	83.86	2.48	86.13	74.68	84.00	98.18	83.72	95.31
Belgium (63)	113.38	−0.2	99.29	111.98	4.51	113.60	98.49	111.50	139.89	99.14	126.40
Canada (129)	123.33	−0.3	108.00	107.70	3.11	123.70	107.25	107.93	128.91	107.06	139.05
Denmark (39)	123.68	−1.1	108.31	120.95	2.40	125.02	108.39	121.49	132.72	111.42	112.51
Finland (26)	128.26	−0.4	112.32	119.81	1.44	128.73	111.61	119.99	139.53	106.78	–
France (129)	91.96	−0.8	80.53	92.07	3.52	92.72	80.39	92.21	99.62	72.77	104.78
West Germany (100)	74.92	+0.0	65.61	73.73	2.51	74.94	64.97	73.24	80.79	67.78	101.32
Hong Kong (46)	108.60	+0.0	95.10	108.85	4.22	108.58	94.14	108.80	111.86	84.90	141.60
Ireland (18)	131.94	−0.5	115.54	130.60	3.65	132.59	114.95	130.46	144.25	104.60	131.88
Italy (102)	71.95	−0.9	63.00	75.01	2.68	72.58	62.93	75.18	81.74	62.99	90.30
Japan (456)	166.36	−0.8	145.69	140.55	0.51	167.64	145.34	140.94	177.27	133.61	135.35
Malaysia (36)	153.69	+0.5	134.59	156.27	2.35	152.88	132.54	155.38	153.69	107.83	192.55
Mexico (13)	156.65	+0.5	137.18	391.86	1.39	155.94	135.20	390.10	180.07	90.07	291.07
Netherland (38)	106.39	−0.5	93.17	103.80	4.45	106.92	92.70	103.57	110.66	95.23	127.44
New Zealand (21)	81.19	−0.5	71.10	64.94	5.82	81.56	70.72	65.04	84.05	64.42	113.39
Norway (25)	119.67	−0.5	104.80	111.14	2.71	120.28	104.28	111.02	132.23	98.55	164.25
Singapore (26)	134.57	+0.3	117.84	126.94	2.05	134.19	116.34	126.58	134.63	97.99	171.08
South Africa (60)	115.00	−0.8	100.71	89.78	4.72	115.95	100.53	90.52	139.07	113.61	184.88
Spain (43)	147.97	−0.4	129.58	139.34	3.24	148.57	128.81	139.00	164.47	130.73	139.23
Sweden (35)	118.44	−0.6	103.72	113.44	2.52	119.12	103.28	113.53	125.50	96.92	120.97
Switzerland (55)	78.87	+0.5	69.06	77.25	2.22	78.44	68.01	76.28	86.75	75.60	104.38
United Kingdom (325)	132.85	−0.7	116.34	116.34	4.32	133.74	115.96	115.96	141.18	123.09	142.36
USA (580)	110.50	−0.4	96.77	110.50	3.57	110.90	96.15	110.90	112.47	99.19	131.79
Europe (1014)	105.54	−0.5	92.42	98.67	3.67	106.08	91.97	98.37	110.82	97.01	120.50
Pacific Basin (674)	163.44	−0.7	143.13	138.55	0.71	164.59	142.70	138.88	172.26	130.81	136.24
Euro-Pacific (1688)	140.29	−0.6	122.85	122.66	1.61	141.19	122.41	122.74	147.53	120.36	130.00
North America (709)	111.18	−0.4	97.36	110.35	3.54	111.57	96.73	110.73	113.29	99.78	132.18
Europe Ex. UK (689)	88.59	−0.4	77.59	87.69	3.10	88.93	77.11	87.43	92.99	80.27	106.94
Pacific Ex. Japan (218)	128.27	+0.3	112.33	113.63	3.79	127.83	110.83	113.18	128.27	87.51	147.28
World Ex. US (1890)	139.46	−0.6	122.13	121.94	1.68	140.35	121.68	122.04	146.49	120.26	131.02
World Ex. UK (2145)	127.80	−0.5	111.91	118.12	2.09	128.48	111.39	118.38	131.77	111.77	130.20
World Ex. So. Af. (2410)	128.31	−0.5	112.36	118.13	2.28	129.01	111.85	118.33	132.39	113.26	130.93
World Ex. Japan (2014)	109.95	−0.4	96.29	106.43	3.61	110.37	95.69	106.52	112.43	100.00	129.36
The World Index (2470)	128.23	−0.5	112.29	117.94	2.29	128.93	111.78	118.14	132.38	113.37	131.27

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

Latest prices were unavailable for this edition.